

VALLEY FALLS PUBLIC SERVICE DISTRICT
WATER REFUNDING REVENUE BONDS, SERIES 2006 A
(JP MORGAN CHASE BANK, N.A.)

DATE OF CLOSING: NOVEMBER 22, 2006

BONDS TRANSCRIPT

STEPTOE & JOHNSON PLLC

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December 14, 2006

Valley Falls Public Service District
Water Refunding Revenue Bonds, Series 2006 A
(JP Morgan Chase Bank, N.A.)

Dorman Williams, Manager
Valley Falls Public Service District
Post Office Box 477
Fairmont, West Virginia 26555

Dear Mr. Williams:

Enclosed is the transcript of closing documents for the above-referenced bond issue for the Valley Falls Public Service District. For auditing purposes, the District should keep the transcript on file until the bond matures. Upon receipt, should you have any questions, please call me.

It was a pleasure working with you and the Board. We look forward to working with you again.

My best regards.

Very truly yours,

A handwritten signature in black ink, appearing to read 'John C. Stump', with a long horizontal flourish extending to the right.

John C. Stump

cc: Distribution (Attached)

JCS/rmc
Enclosure
928790.00001

CH862256.1

**Valley Falls Public Service District
Water Revenue Bond, Series 2006
(JPMorgan Chase)**

Transcript Distribution List

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VALLEY FALLS PUBLIC SERVICE DISTRICT

Water Refunding Revenue Bonds, Series 2006 A

BOND TRANSCRIPT

Date of Closing: November 22, 2006

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VALLEY FALLS PUBLIC SERVICE DISTRICT
WATER REFUNDING REVENUE BONDS, SERIES 2006 A

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VALLEY FALLS PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE REFUNDING OF THE WATER REVENUE BONDS, SERIES 1976, OF VALLEY FALLS PUBLIC SERVICE DISTRICT THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$322,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REFUNDING BONDS, SERIES 2006 A; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF VALLEY FALLS PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Resolution. This Resolution (together with any orders or resolutions supplemental hereto, the "Bond Legislation") is adopted pursuant to the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and other applicable provisions of law.

Section 1.02. Findings. It is hereby found, determined and declared that:

A. Valley Falls Public Service District (the "Issuer") is a public service district and public corporation of the State of West Virginia in Marion County of said State.

B. The Issuer now owns and operates a public waterworks system. The refunding of the GMAC Bonds, as hereinafter defined, hereby authorized and provided for is a public purpose of the Issuer and is ordered for the purpose of meeting and serving public convenience and necessity.

C. The Issuer has heretofore issued its Water Revenue Bonds, Series 1976, dated January 25, 1977, issued in the original aggregate principal amount of \$665,000 (the "GMAC Bonds") and currently held by General Motors Acceptance Corporation.

D. It is in the best interest of the Issuer that the GMAC Bonds be currently refunded in order to allow the Issuer to avoid overly burdensome parity test.

E. It is deemed necessary for the Issuer to issue its Water Refunding Bonds, Series 2006 A (the "Series 2006 A Bonds") in the total aggregate principal amount of not more than \$322,000 to pay in full the principal of and interest accrued on the GMAC Bonds, and to pay costs of issuance thereof and related costs.

F. It is in the best interest of the Issuer that the Series 2006 A Bonds be sold to the Purchaser (as hereinafter defined) pursuant to the terms and provisions of the commitment letter of the Purchaser dated September 8, 2006.

G. The Issuer has complied with all requirements of West Virginia law relating to authorization of the refunding of the GMAC Bonds, and the issuance of the Series 2006 A Bonds, or will have so complied prior to issuance of the Series 2006 A Bonds, including, among other things, the obtaining of the approval of this financing and the refunding of the GMAC Bonds from the Public Service Commission of West Virginia by Commission Order, dated October 25, 2006, in Case No. 05-0633-PWD-CN.

H. Upon the refunding of the GMAC Bonds, there are no outstanding obligations of the Issuer which will rank on a parity with the Series 2006 A Bonds as to liens, pledge and source of and security for payment.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2006 A Bonds by those who shall be the Registered Owner of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owner, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owner of the Series 2006 A Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds, and by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

Section 1.04. Definitions. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

"Act" means Chapter 16, Article 13A of the West Virginia Code of 1931, as amended and in effect on the date of adoption hereof.

"Authorized Officer" means the Chairman of the Governing Body of the Issuer or any temporary Chairman duly appointed by the Governing Body.

"Bondholder," "Holder of the Bonds," "Holder," "Registered Owner" or any similar term whenever used herein with respect to any outstanding Bond or Bonds, means the person in whose name such Bond is registered.

"Bond Legislation," "Resolution" or "Bond Resolution" means this Bond Resolution and all orders and resolutions supplemental hereto or amendatory hereof.

"Bond Registrar" or "Registrar" means the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns.

"Bonds" means, collectively, the Series 2006 A Bonds and, where appropriate, any bonds on a parity therewith subsequently authorized to be issued hereunder of by another resolution of the Issuer.

"Chairman" means the Chairman of the Governing Body of the Issuer.

"Code" means the Internal Revenue Code of 1986, as amended, and the Regulations.

"Commission" means the West Virginia Municipal Bond Commission or any other agency of the State of West Virginia that succeeds to the functions of the Commission.

"Depository Bank" means the bank designated as such in the Supplemental Resolution, and its successors and assigns.

"FDIC" means the Federal Deposit Insurance Corporation or any successor to the functions of the FDIC.

"Fiscal Year" means each 12-month period beginning on July 1 and ending on the succeeding June 30.

"GMAC Bonds" means the Water Revenue Bonds, Series 1976, dated January 25, 1977, issued in the original aggregate principle amount of \$665,000.

"GMAC Resolution" means the Bond Resolutions authorizing the GMAC Bonds.

"Governing Body" means the Public Service Board of the Issuer.

"Government Obligations" means direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided, that "Gross Revenues" does not include any gains from the

sale or other disposition of, or from any increase in the value of, capital assets or any Tap Fees, as hereinafter defined.

"Herein," "hereto" and similar words shall refer to this entire Bond Legislation.

"Independent Certified Public Accountants" shall mean any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the Issuer to prepare an independent annual or special audit of the accounts of the System or for any other purpose except keeping the accounts of the System in the normal operation of its business and affairs.

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract, investment-type property or any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes other than specified private activity bonds as defined in Section 57(a)(5)(C) of the Code.

"Issuer" means Valley Falls Public Service District, a public service district, public corporation and political subdivision of the State of West Virginia in Marion County, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Net Proceeds" means the face amount of the Series 2006 A Bonds, plus accrued interest and premium, if any, and less original issue discount, if any. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2006 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

"Net Revenues" means the balance of the Gross Revenues, remaining after deduction of Operating Expenses, as hereinafter defined.

"Nonpurpose Investment" means any Investment Property as defined in Section 148(b) of the Code, that is not a purpose investment.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, fees and expenses of fiscal agents, the Depository Bank, the Registrar and the Paying Agent (all as hereinafter defined), payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest

on the Series 2006 A Bonds, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

“Outstanding” when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered, except (i) any Bond cancelled by the Bond Registrar at or prior to said date; (ii) any Bond for the payment of which monies, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Article IX hereof; and (iv) for purposes of consents or other action by a specified percentage of Bondholders, and Bonds registered to the Issuer.

“Parity Bonds” means additional Parity Bonds issued under the provisions and within the limitations prescribed by Section 5.04 hereof.

"Paying Agent" means the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, or in any activity carried on by a person other than a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, excluding, however, use by a state or local governmental unit and use as a member of the general public. All of the foregoing shall be determined in accordance with the Code, including, without limitation, giving due regard to "incidental use," if any, of the proceeds of the issue and/or proceeds used for "qualified improvements," if any.

"Purchaser" means the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns.

"Qualified Investments" means and includes any of the following:

- (a) Government Obligations;
- (b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;
- (c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for

Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;

(d) Any bond, debenture, note, participation certificate or other similar obligations issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;

(e) Time accounts (including accounts evidenced by time certificates of deposit, time deposits or other similar banking arrangements) which, to the extent not insured by the FDIC or Federal Savings and Loan Insurance Corporation, shall be secured by a pledge of Government Obligations, provided, that said Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time accounts or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time accounts;

(f) Money market funds or similar funds whose only assets are investments of the type described in paragraphs (a) through (e) above;

(g) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (e) above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either must mature as nearly as practicable coincident with the maturity of said repurchase agreements or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said repurchase agreements, and provided further that the holder of such repurchase agreement shall have a prior perfected security interest in the collateral therefor; must have (or its agent must have) possession of such collateral; and such collateral must be free of all claims by third parties;

(h) The West Virginia "consolidated fund" managed by the West Virginia Board of Treasury Investments pursuant to Chapter 12, Article 6(c) of the West Virginia Code of 1931, as amended; and

(i) Obligations of States or political subdivisions or agencies thereof, the interest on which is excluded from gross income for federal income tax purposes, and which are rated at least "A" by Moody's Investors Service or Standard & Poor's Corporation.

"Regulations" means temporary and permanent regulations promulgated under the Code.

"Secretary" means the Secretary of the Governing Body of the Issuer.

"Series 2006 A Bonds" means the Water Refunding Bonds, Series 2006 A, authorized hereby to be issued pursuant to this Resolution.

"Series 2006 A Bonds Reserve Account" means the Series 2006 A Bonds Reserve Account created by Section 4.02 hereof.

"Series 2006 A Bonds Reserve Requirement" means, as of any date of calculation, the lesser of (i) 10% of the original stated principal amount of the Series 2006 A Bonds; (ii) the maximum amount of principal and interest which will become due on the Series 2006 A Bonds in any year; or (iii) 125% of the average amount of principal and interest which will become due on the Series 2006 A Bonds.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution or order of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the Supplemental Resolution authorizing the sale of the Series 2006 A Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 2006 A Bonds and not so included may be included in another Supplemental Resolution.

"System" means the complete public waterworks system of the Issuer, presently existing in its entirety or any integral part thereof, and any further additions, extensions and improvements thereto hereafter constructed or acquired for the System from any sources whatsoever.

"Tap Fees" means the fees, if any, paid by prospective customers of the System in order to connect thereto.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

ARTICLE II

AUTHORIZATION OF REFUNDING

Section 2.01. Authorization of Refunding. All GMAC Bonds Outstanding as of the date of issuance of the Series 2006 A Bonds and all unpaid interest accrued thereon, if any, are hereby ordered to be refunded and paid in full and the pledge of Net Revenues in favor of the Holders of the GMAC Bonds imposed by the GMAC Resolution, the monies in the funds and accounts created by the GMAC Resolution pledged to payment of the GMAC Bonds, and any other funds pledged by the GMAC Resolution to payment of the GMAC Bonds are hereby ordered terminated, discharged and released upon such payment to the Holders of the GMAC Bonds. Contemporaneously with the payment in full of the GMAC Bonds, the amounts on deposit in the sinking fund, and all other funds and accounts created and maintained on behalf of the GMAC Bonds, shall be released from the lien created by the GMAC Resolution. The portion of the proceeds of the Series 2006 A Bonds hereby authorized to be applied towards the refunding of the GMAC Bonds shall be applied as provided in Article III hereof.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS

Section 3.01. Authorization of Bonds. For the purpose of refunding the GMAC Bonds, and paying certain costs of issuance and related costs not otherwise provided for, or any or all of such purposes, there is hereby authorized to be issued the Water Refunding Bonds, Series 2006 A, of the Issuer, in the aggregate principal amount of not more than \$322,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution.

Section 3.02. Terms of Bonds. The Series 2006 A Bonds shall be issued in single form, numbered AR-1, and only as a fully registered Bond. The Series 2006 A Bonds shall be dated such date; shall be in such principal amount, not to exceed \$322,000; shall bear interest at such rate or rates, not exceeding the then legally permissible limit on such dates; shall mature on such dates and in such amounts; and shall be subject to such repayment or redemption, all as the Issuer shall prescribe in a Supplemental Resolution. The Series 2006 A Bonds shall be payable as to principal and interest at the office of the Paying Agent in any coin or currency which, on the dates of payment is legal tender for the payment of public or private debts under the laws of the United States of America.

The Series 2006 A Bonds shall be subject to prepayment of the principal balance in whole on any scheduled payment date. If the Series 2006 A Bonds are paid in full more than six calendar months prior to their maturity date, then the Borrower shall pay to the Lender a prepayment premium equal to the Prepaid Principal multiplied by the Premium Percentage. The "Premium Percentage" shall be equal to one percent (1.0%) multiplied by the number of full years plus one for any additional part or portion of a year between the Prepayment Date and the maturity date of the Series 2006 A Bonds. Provided, however, in no event shall the Premium Percentage exceed five percent (5%) of the Prepaid Principal. The term "Prepaid Principal" shall mean the outstanding principal balance of the Series 2006 A Bonds at the Prepayment Date; provided however, at the discretion of Lender, all payments of principal made within thirty days prior to the Prepayment Date may be included in the Prepaid Principal amount subject to the Premium Percentage. The term "Prepayment Date" shall mean the date the prepayment is tendered.

Section 3.03. Execution of Bonds. The Series 2006 A Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 2006 A Bonds shall cease to be such officer of the Issuer before the Series 2006 A Bonds so signed and sealed have been actually sold and delivered, the Series 2006 A Bonds may nevertheless be sold and delivered as herein

provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. The Series 2006 A Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Series 2006 A Bonds shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.09 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 2006 A Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2006 A Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting any of the Series 2006 A Bonds, shall be conclusively deemed to have agreed that such Bond shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bond shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 2006 A Bonds remain outstanding, the Issuer, through the Bond Registrar, shall keep and maintain books for the registration and transfer of the Series 2006 A Bonds.

The registered Series 2006 A Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging the Series 2006 A Bonds or transferring the registered Bonds are exercised, the Bonds shall be delivered in accordance with the provisions of this Bond Legislation. Any Series 2006 A Bond surrendered in any such exchanges or transfers shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of the Series 2006 Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each such new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in

connection therewith, which sum or sums shall be paid by the person requesting such exchange or transfer, as a condition precedent to the exercise of the privilege of making such transfer. The Bond Registrar shall not be obliged to make any such exchange or transfer of the Series 2006 A Bonds during the 15 days preceding a scheduled payment date on such Bonds or after notice of any prepayment of such Bonds has been given.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Series 2006 A Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Series 2006 A Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Series 2006 A Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. The Series 2006 A Bond so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Series 2006 A Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds Not to Be Indebtedness of the Issuer. The Series 2006 A Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No Holder or Holders of the Series 2006 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2006 A Bonds or the interest thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Series 2006 A Bonds shall be secured forthwith by a lien on the Net Revenues derived from the System, in addition to the statutory mortgage lien on the System hereinafter provided. The Net Revenues derived from the System in an amount sufficient to pay the principal of and interest on the Series 2006 A Bonds, and to make the payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Series 2006 A Bonds as the same become due.

Section 3.09. Form of Bond. The text of the Series 2006 A Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

[FORM OF BOND]

VALLEY FALLS PUBLIC SERVICE DISTRICT
WATER REFUNDING REVENUE BONDS, SERIES 2006 A

No. AR-1

\$ _____

KNOW ALL MEN BY THESE PRESENTS: That on this the ____ day of October, 2006, VALLEY FALLS PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Marion County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the order of

-JP MORGAN CHASE BANK, N.A. -

or registered assigns (the "Payee"), the principal sum of _____, plus interest as follows:

A. Interest on this Bond shall be payable at a rate of ____% per annum (hereinafter sometimes called the "Tax-Exempt Rate"). Interest shall be computed on the basis of a year of 360 days, and the actual number of days in a month (actual number of days divided by 360) payable for the actual number of days elapsed during any portion of a month.

B. Notwithstanding any other provision herein, in the event the interest on this Bond is declared to be includible in gross income for federal income tax purposes by the Internal Revenue Service ("Determination of Taxability"), interest on this Bond shall be payable at a rate of ____% per annum (hereinafter sometimes called the "Taxable Rate"). Interest at the Taxable Rate shall commence to accrue on the date of Determination of Taxability and such interest rate shall be charged retroactively and prospectively for all periods in which interest paid on this Bond is asserted, declared or determined to be includible in gross income for federal income tax purposes, and shall continue until the entire principal of and interest on this Bond are paid, notwithstanding that the entire principal amount of this Bond may have been paid in full prior to the Determination of Taxability. Any interest being past due on this Bond by reason of such increase shall become immediately due and payable.

C. This Bond shall be payable in ____ installments commencing on the ____ day of ____ and on the ____ day of each month thereafter, to and

including _____, _____. The monthly installments shall consist of principal and interest of \$ _____ per month.

D. All payments received by the Paying Agent on account of the Bond shall be applied first to payment of interest accrued on the Bond and next to payment of principal of the Bond. If not sooner paid, the entire principal amount of this Bond unpaid on _____, _____, together with all accrued interest and any other sums due and owing upon this Bond shall be due and payable on such date.

The principal of and interest on this Bond is payable in any coin or currency which on the date of payment thereof is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of JP Morgan Chase Bank, N.A., Charleston, West Virginia, as Bond Registrar and Paying Agent.

The Series 2006 A Bonds shall be subject to prepayment of the principal balance in whole on any scheduled payment date. If the Series 2006 A Bonds are paid in full more than six calendar months prior to their maturity date, then the Borrower shall pay to the Lender a prepayment premium equal to the Prepaid Principal multiplied by the Premium Percentage. The "Premium Percentage" shall be equal to one percent (1.0%) multiplied by the number of full years plus one for any additional part or portion of a year between the Prepayment Date and the maturity date of the Series 2006 A Bonds. Provided, however, in no event shall the Premium Percentage exceed five percent (5%) of the Prepaid Principal. The term "Prepaid Principal" shall mean the outstanding principal balance of the Series 2006 A Bonds at the Prepayment Date; provided however, at the discretion of Lender, all payments of principal made within thirty days prior to the Prepayment Date may be included in the Prepaid Principal amount subject to the Premium Percentage. The term "Prepayment Date" shall mean the date the prepayment is tendered.

This Bond is issued to (i) refund the Issuer's Water Revenue Bonds, Series 1976 (GMAC), and (ii) to pay costs of issuance and related costs. The existing public waterworks facilities of the Issuer, and any further additions, improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Resolution duly adopted by the Issuer on _____, 2006, and a Supplemental Resolution, duly adopted by the Issuer on _____, 2006 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof.

The principal of and interest on this Bond is payable only from and secured by a pledge of the Net Revenues to be derived from the operation of the System.

This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be

obligated to pay the same or the interest hereon except from the source set forth above. Under the Bond Legislation, the Issuer has entered into certain covenants with the Payee, for the terms of which reference is made to said Bond Legislation. Remedies provided the Payee are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Bond Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to such registration requirements, this Bond, under the provision of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

In accordance with the requirements of the United States Department of Agriculture, the Bonds will be in default should any proceeds of the Bonds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

This Bond is hereby designated a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside by the Issuer for the prompt payment of the principal of and interest on this Bond.

All provisions of the Bond Legislation, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

This Bond shall not be valid or obligatory unless authenticated and registered by the Registrar by the execution of the Registrar's Certificate of Authentication and Registration attached hereto and incorporated herein.

IN WITNESS WHEREOF, VALLEY FALLS PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed hereon and attested by its Secretary, and has caused this Bond to be dated the day and year first written above.

VALLEY FALLS PUBLIC SERVICE DISTRICT

[SEAL]

By: _____
Its: Chairman

ATTEST:

Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is to certify that this Bond is described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above.

Date: _____

JP MORGAN CHASE BANK, N.A.,
as Registrar

By: _____
Its: Authorized Officer

[Form of Assignment]

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto _____ the within-mentioned Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books of the Registrar on behalf of the said Issuer with full power of substitution in the premises.

Dated: _____, _____.

In the presence of:

Section 3.10. Sale of Bonds. The Series 2006 A Bonds shall be sold to the Purchaser contemporaneously with, or as soon as practicable and authorized and permitted by applicable law after, the adoption of the Supplemental Resolution; provided, that the Purchaser and the Issuer shall have agreed to the purchase thereof.

Section 3.11. Disposition of Bond Proceeds. From the monies received from the sale of the Series 2006 A Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2006 A Bonds, the Issuer shall forthwith wire proceeds of the Series 2006 A Bonds which is equal to the amount necessary to pay in full the entire principal of and interest accrued on the GMAC Bonds directly to GMAC, the Holder thereof.

B. Next, the Purchaser shall pay the costs of issuance of the Series 2006 A Bonds.

Section 3.12. Designation of Bonds “Qualified Tax-Exempt Obligations.”
The Issuer hereby designates the Series 2006 A Bonds as “qualified tax-exempt obligations” for the purpose of Section 265(b)(3)(B) of the Code and covenants that the Bond does not constitute private activity bonds as defined in Section 141 of the Code, and that not more than \$10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income tax purposes (excluding, however, obligations issued to currently refund any obligation of the Issuer to the extent the amount of the refunding obligation does not exceed the amount of the refunded obligation and private activity bonds, as defined in Section 141 of the Code), including the Series 2006 A Bonds, have been or shall be issued by the Issuer, including all subordinate entities of the Issuer, during calendar year 2006.

ARTICLE IV

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 4.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are hereby created with and shall be held by the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and the Issuer and from each other:

- (1) Revenue Fund; and
- (2) Renewal and Replacement Fund.

Section 4.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created with and shall be held by the Commission separate and apart from all other funds or accounts of the Commission and the Issuer and from each other:

- (1) Series 2006 A Bonds Reserve Account.

Section 4.03. Covenants of the Issuer as to System Revenues and Funds. So long as the Series 2006 A Bonds shall be outstanding and unpaid, or until there shall have been set apart, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Series 2006 A Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the holder of the Series 2006 A Bonds as follows:

A. **REVENUE FUND.** The entire Gross Revenues derived from the operation of the System, and all parts thereof, and all Tap Fees received, shall be deposited as collected by the Issuer in the Revenue Fund established with the Depository Bank. The Revenue Fund shall constitute a trust fund for the purposes provided herein and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner provided herein.

B. **DISPOSITION OF REVENUES.** All Revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority:

- (1) The Issuer shall first, each month, pay from the monies in the Revenue Fund all current Operating Expenses.

(2) The Issuer shall next, each month, on or before the due date of payment of each installment on the Series 2006 A Bonds transfer from the Revenue Fund and remit to the Paying Agent the amount required to pay the interest on the Series 2006 A Bonds and to amortize the principal of the Series 2006 A Bonds over the life of the Series 2006 A Bonds. All payments with respect to principal of and interest on the Series 2006 A Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(3) The Issuer shall next remit to the Commission, commencing the month following the closing date for deposit in the Series 2006 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2006 A Bonds Reserve Requirement, until the amount in the Series 2006 A Bonds Reserve Account equals the Series 2006 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2006 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2006 A Bonds Reserve Requirement.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, the amounts required by the Prior Resolutions and a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in any Reserve Account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof) shall be promptly eliminated with monies from the Renewal and Replacement Fund.

(5) After all the foregoing provisions for use of monies in the Revenue Fund have been fully complied with, any monies remaining therein and not permitted to be retained therein may be

used to prepay installments of the Series 2006 A Bonds, pro rata, or for any lawful purpose.

The Depository Bank and the Commission, as applicable, are hereby designated as the Fiscal Agents for the administration of the Renewal and Replacement Fund and the Series 2006 A Bonds Reserve Account, and all amounts required for the Renewal and Replacement Fund and Series 2006 A Bonds Reserve Account will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein, as applicable, together with written advice stating the amount remitted for deposit into each such fund.

All the funds provided for in this Section shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien thereon for further securing payment of the Series 2006 A Bonds and the interest thereon.

Any withdrawals from the Series 2006 A Bonds Reserve Account which result in a reduction in the balance of the Series 2006 A Bonds Reserve Account to below the Series 2006 A Bonds Reserve Requirement shall be subsequently restored, on a pro rata basis, from the first Net Revenues available after all required payments have been made with respect to the principal of and interest on the Series 2006 A Bonds. Monies in the Series 2006 A Bonds Reserve Account shall be used only for, and are hereby pledged for, the purpose of paying principal of and interest on the Series 2006 A Bonds as the same shall come due, when other monies of the Issuer are insufficient therefor, and for no other purpose.

If on any payment date the Revenues are insufficient to make the payments and transfers as hereinabove provided, the deficiency shall be made up in the subsequent payments and transfers in addition to those which would otherwise be required to be made on the subsequent payment dates.

The Depository Bank and the Commission, as applicable, at the direction of the Issuer, shall keep the monies in the Renewal and Replacement Fund and the Series 2006 A Bonds Reserve Account, as applicable, invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities consonant with the required use thereof. Investments in any fund or account under this Bond Legislation shall, unless otherwise provided herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund"

managed by the West Virginia Board of Treasury Investments. Any investment shall be held in and at all times deemed a part of the fund or account in which such monies were originally held, and interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. Earnings from monies in the Renewal and Replacement Fund and the Series 2006 A Bonds Reserve Account, so long as the respective reserve requirement is on deposit and maintained therein, shall be paid annually to the Issuer by the Depository Bank and the Commission, as applicable.

C. **CHANGE OF DEPOSITORY BANK.** The Issuer may designate another bank or trust company insured by FDIC as Depository Bank if the Depository Bank should cease for any reason to serve or if the Governing Body determines by resolution that the Depository Bank or its successor should no longer serve as Depository Bank. Upon any such change, the Governing Body will cause notice of the change to be sent by registered or certified mail to the Purchaser.

D. **CHARGES AND FEES.** The Issuer shall remit from the Revenue Fund to the Depository Bank and the Commission such additional sums as shall be necessary to pay the charges and fees of the Depository Bank or the Commission then due.

E. **INVESTMENT OF EXCESS BALANCES.** The monies in excess of the sum insured by FDIC in any of such funds or accounts shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State of West Virginia.

F. **REMITTANCES.** All remittances made by the Issuer to the Depository Bank and the Commission shall clearly identify the fund or account into which each amount is to be deposited.

G. **GROSS REVENUES.** The Gross Revenues of the System shall only be used for purposes of the System.

ARTICLE V

GENERAL COVENANTS

Section 5.01. General Statement. So long as the Series 2006 A Bonds shall be outstanding and unpaid, or until there shall have been set apart a sum sufficient to prepay the entire principal of the Series 2006 A Bonds remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the Issuer and the Bondholder.

Section 5.02. Rates. The Issuer will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide Revenues in each Fiscal Year sufficient to produce Net Revenues equal to not less than 115% of the annual debt service on the Series 2006 A Bonds and sufficient to make the payments required herein into all funds and accounts and all the necessary expenses of operating and maintaining the System during such Fiscal Year and such rates, fees and other charges shall not be reduced so as to be insufficient to provide adequate Revenues for such purposes.

Section 5.03. Sale of the System. The System will not be sold without the prior written consent of the Purchaser so long as the Series 2006 A Bonds are outstanding. Such consent will provide for disposition of the proceeds of any such sale.

Section 5.04. Issuance of Additional Parity Bonds. All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2006 A Bonds.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the construction or acquisition of extensions, improvements or betterments to the System or refunding the Bonds issued pursuant hereto or subsequent Parity Bonds, or any combination of such purposes.

No Parity Bonds shall be issued at any time, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues expected to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest, if any, on the following:

- (1) The Bonds Outstanding;
- (2) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Bond Legislation then Outstanding; and
- (3) The Parity Bonds then proposed to be issued.

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates adopted by the Issuer, the period for appeal of which has expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in the certificate of the Independent Certified Public Accountants.

The Net Revenues actually derived from the System during the 12-consecutive month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the period for appeal of which has expired prior to issuance of such Parity Bonds.

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holder of the Series 2006 A Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section. Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any Bond. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the Revenues of the System is subject to the prior and superior liens of the Bonds on such Revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Bond.

No Parity Bonds shall be issued any time, however, unless all the payments provided for in this Bond Legislation with respect to the Bonds then Outstanding, and any other payments provided for in this Bond Legislation, shall have been made in full as

required to the date of delivery of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Bond Legislation.

Section 5.05. Insurance and Bonds. A. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System, procure, carry and maintain, so long as the Series 2006 A Bonds remain outstanding, insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

(i) Fire, Lightning, Vandalism, Malicious Mischief and Extended Coverage Insurance, to be procured upon any portion of the System now in use, on all above-ground structures of the System and mechanical and electrical equipment in place or stored on the site in an amount equal to the full insurable value thereof. In the event of any damage to or destruction of any portion of the System, the Issuer will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damaged or destroyed portion.

(ii) Public Liability Insurance, with limits of not less than \$500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than \$200,000 to protect the Issuer from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured not later than the date of delivery of the Series 2006 A Bonds.

(iii) Vehicular Public Liability Insurance, in the event the Issuer owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the Issuer is operated at any time or times for the benefit of the Issuer, with limits of not less than \$500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than \$200,000 to protect the Issuer from claims for damage to property of others which may arise from such operation of vehicles, such insurance to be procured prior to acquisition or commencement of operation of any such vehicle for the Issuer.

(iv) Workers' Compensation Coverage for All Employees of the District Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each prime contractor, and such payment bonds have been or will be filed with the Clerk

of the County Commission of said County prior to commencement of construction in compliance with West Virginia Code Section 38-2-39. Workers' compensation coverage shall be maintained as required by the laws of the State of West Virginia.

(v) Flood Insurance to be procured, to the extent available at reasonable cost to the Issuer.

(vi) Fidelity Bonds will be provided as to every member of the Governing Body and as to every officer and employee thereof having custody of the Revenue Fund or of any revenues or other funds of the Issuer in such amount as may be requested by the Purchaser from time to time.

(vii) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, so long as the Series 2006 A Bonds are outstanding, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer with insurance carriers or bonding companies acceptable to Purchaser.

B. All insurance proceeds awarded to the Issuer that are not applied to the repair or replacement of the subject property damaged or destroyed, shall be applied by the Issuer to prepayment of the Bond, unless otherwise consented to in writing by the Bondholder.

Section 5.06. Statutory Mortgage Lien. For the further protection of the Holder of the Bond, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon the delivery of the Series 2006 A Bonds.

Section 5.07. Fiscal Year; Budget. While the Series 2006 A Bonds are outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a Fiscal Year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than 30 days prior to the beginning of each Fiscal Year, the Issuer agrees to adopt the Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each Fiscal Year.

If for any reason the Issuer shall not have adopted the Annual Budget before the 1st day of any Fiscal Year, it shall adopt a Budget of Current Expenses from month to

month until the adoption of the Annual Budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the next year preceding by more than 10%; and provided further, that adoption of a Budget of Current Expenses shall not constitute compliance with the covenant to adopt an Annual Budget unless failure to adopt an Annual Budget be for a reason beyond the control of the Issuer. Each such Budget of Current Expenses shall be mailed immediately to the Purchaser.

Section 5.08. Compensation of Members of Governing Body. The Issuer hereby covenants and agrees that no compensation for policy direction shall be paid to the members of the Governing Body in excess of the amount permitted by the Act. Payment of any compensation to any such member for policy direction shall not be made if such payment would cause the Net Revenues to fall below the amount required to meet all payments provided for herein, nor when there is default in the performance of or compliance with any covenant or provision hereof.

Section 5.09. Books and Records; Audits. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and the Purchaser shall have the right at all reasonable times to inspect the System and all records, accounts and data of the Issuer relating thereto.

The Issuer shall, at least once a year, cause said books, records and accounts of the System to be properly audited by an independent competent firm of certified public accountants and shall mail a copy of such audit report to the Purchaser. The Issuer shall further comply with the Act with respect to such books, records and accounts.

Section 5.10. Maintenance of System. The Issuer covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as the Series 2006 A Bonds are outstanding.

Section 5.11. No Competition. To the extent legally allowable, the Issuer will not permit competition with the System within its boundaries or within the territory served by it and will not grant or cause, consent to or allow the granting of any franchise, permit or other authorization for any person, firm, corporation, public or private body, agency or instrumentality whatsoever to provide any of the services supplied by the System within the boundaries of the Issuer or within the territory served by the System.

ARTICLE VI

RATES, ETC.

Section 6.01. Initial Schedule of Rates and Charges; Rules. A. The initial schedule of rates and charges for the services and facilities of the System, subject to change consonant with the provisions hereof, are set forth in the Commission Order of the Public Service Commission of West Virginia, entered on August 23, 2005, Case No. 05-0633-PWD-CN, which Final Order is incorporated herein by reference as a part hereof.

B. There shall not be any discrimination or differential in rates between customers in similar circumstances.

C. All delinquent fees, rates and charges for services or facilities of the System shall be liens on the premises served of equal degree, rank and priority with the lien on such premises of state, county, school and municipal taxes, as provided in the Act. The Issuer shall have all remedies and powers provided under the Act and other applicable provisions of law with regard to the collection and enforcement of such fees, rates and charges.

D. The Issuer will not render or cause to be rendered any free services of any nature by the System nor any of the facilities; and in the event that the Issuer or any department, agency, officer or employee thereof should avail itself or themselves of the services or facilities of the System, the same fees, rates and charges applicable to other customers receiving like services under similar circumstances shall be charged, such charges shall be paid as they accrue, and revenues so received shall be deposited and accounted for in the same manner as other revenues of the System.

E. The Issuer may require any applicant for any service by the System to deposit a reasonable and equitable amount to insure payment of all charges for the services rendered by the System, which deposit shall be handled and disposed of under the applicable rules and regulations of the Public Service Commission of West Virginia.

F. The Issuer, to the extent permitted by law, will not accept payment of any water bill from a customer served with water and sewer services by the Issuer without payment at the same time of a sewer bill owed by such customer for the same premises.

ARTICLE VII

TAX COVENANTS

Section 7.01. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. **PRIVATE BUSINESS USE LIMITATION.** The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 2006 A Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 2006 A Bonds during the term thereof is, under the terms of the Series 2006 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) and that, in the event that both (A) in excess of 5% of the Net Proceeds of the Series 2006 A Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 2006 A Bonds during the term thereof is, under the terms of the Series 2006 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 2006 A Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the project, or if the Series 2006 A Bonds is for the purpose of financing more than one project, a portion of the project, and shall not exceed the proceeds used for the governmental use of that portion of the project to which such Private Business Use is related. All of the foregoing shall be determined in accordance with the Code.

B. **PRIVATE LOAN LIMITATION.** The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Series 2006 A Bonds or \$5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. **FEDERAL GUARANTEE PROHIBITION.** The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2006 A Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

D. **INFORMATION RETURN.** The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 2006 A Bonds

and the interest thereon, including without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take all actions that may be required of it so that the interest on the Series 2006 A Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions, or fail to take any actions which would adversely affect such exclusion.

Section 7.02. Arbitrage and Tax Exemption. The Issuer covenants that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Series 2006 A Bonds which would cause the Series 2006 A Bonds to be an "arbitrage bond" within the meaning of Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a Federal information return with respect to the Series 2006 A Bonds) so that the interest on the Series 2006 A Bonds will be and remain excluded from gross income for Federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 7.03. Tax Certificate and Rebate. The Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the Series 2006 A Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 2006 A Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Bond Legislation.

The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. The Issuer shall pay, or cause to be paid, to the United States, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be in time to time in effect with such reports and statements as may be prescribed by such Regulations. The Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate in order to assure compliance with this Section 7.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 7.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations.

ARTICLE VIII

DEFAULT AND REMEDIES

Section 8.01. Events of Default. A. Each of the following events shall constitute an "Event of Default" with respect to the Series 2006 A Bonds:

1. If default occurs in the due and punctual payment of the principal of or interest on the Series 2006 A Bonds; or

(A) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2006 A Bonds set forth in this Bond Legislation, any supplemental resolution, or in the Series 2006 A Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Paying Agent, Depository Bank, any other bank or banking association holding any fund or account hereunder or a Holder of a Series 2006 A Bonds; or

(B) If the Issuer files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America.

Section 8.02. Remedies. Upon the happening and continuance of any Event of Default, the Registered Owner of the Series 2006 A Bonds may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owner including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Series 2006 A Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owner of the Series 2006 A Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Series 2006 A Bonds, or the rights of such Registered Owner.

No remedy by the terms of this Resolution conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Bondholders hereunder or now or hereafter existing at law or by statute.

ARTICLE IX

DEFEASANCE

Section 9.01. Defeasance. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holder of the Series 2006 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then this Bond Legislation and the pledge of Net Revenues and other monies and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Series 2006 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Series 2006 A Bonds from gross income for federal income tax purposes.

The payment of the Series 2006 A Bonds with either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with the monies, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the principal installments of and interest on the Series 2006 A Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. The Series 2006 A Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Paying Agent, either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with other monies, if any, deposited with the Paying Agent at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on the Series 2006 A Bonds on and prior to the maturity dates thereof. Neither securities nor monies deposited with the Paying Agent pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on the Series 2006 A Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Paying Agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on the Series 2006 A Bonds on and prior to the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Paying Agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

ARTICLE X

MISCELLANEOUS

Section 10.01. Amendment or Modification of Bond Legislation. This Bond Legislation may not be amended or modified after final passage without the prior written consent of the Registered Owner; provided, however, that this Bond Legislation may be amended without the consent of the Registered Owner as may be necessary to assure the exclusion of interest on the Series 2006 A Bonds from gross income of the Registered Owner for federal income tax purposes.

Section 10.02. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, the Supplemental Resolution, or the Series 2006 A Bonds.

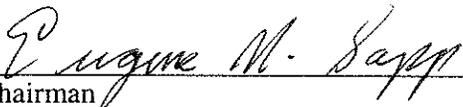
Section 10.03. Table of Contents and Headings. The table of contents and headings of the articles, sections and subsections hereof are for convenience of reference only, and shall not affect in any way the meaning or interpretation of any provision hereof.

Section 10.04. Conflicting Provisions Repealed. All orders, indentures, or resolutions and or parts thereof in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

Section 10.05. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 10.06. Effective Date. This Resolution shall take effect immediately upon adoption.

Adopted this 21st day of November, 2006.

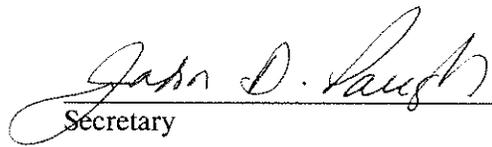

Chairman

CERTIFICATION

Certified a true copy of a Bond Resolution duly adopted by the Public Service Board of Valley Falls Public Service District on the 21st day of November, 2006.

Date: November 22, 2006.

[SEAL]


Secretary

11.15.06
928790.00001

VALLEY FALLS PUBLIC SERVICE DISTRICT

Water Refunding Revenue Bonds, Series 2006 A

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATE, MATURITY, INTEREST RATE AND OTHER TERMS OF THE WATER REFUNDING REVENUE BONDS, SERIES 2006 A, OF VALLEY FALLS PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF SUCH BONDS TO JP MORGAN CHASE BANK, N.A.; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the public service board (the "Governing Body") of Valley Falls Public Service District (the "Issuer") has duly and officially adopted a resolution on November 21, 2006 (the "Bond Resolution"), entitled:

RESOLUTION AUTHORIZING THE REFUNDING OF THE WATER REVENUE BONDS, SERIES 1976 (GMAC), OF VALLEY FALLS PUBLIC SERVICE DISTRICT THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$322,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REFUNDING REVENUE BONDS, SERIES 2006 A; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Bond Resolution provides for the issuance of Water Refunding Revenue Bonds, Series 2006 A, of the Issuer (the "Bonds" or the "Series 2006 A Bonds"), in an aggregate principal amount of not more than \$322,000, all in accordance with Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"); and in the Bond Resolution, it is provided that the date, the maturity date, interest rate and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

WHEREAS, the Bonds are proposed to be purchased by JP Morgan Chase Bank, N.A., Charleston, West Virginia (the "Purchaser"), pursuant to the terms of the

commitment letter dated September 8, 2006, a copy of which is attached hereto as Exhibit A and made a part hereof (the "Commitment Letter"); and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted and that the date, the maturity date, the interest rate and other terms of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF VALLEY FALLS PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Bond Resolution and the Act, this Supplemental Resolution is adopted and there is hereby authorized and ordered to be issued the Water Refunding Revenue Bonds, Series 2006 A, of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of \$322,000. The Series 2006 A Bonds shall be dated November 22, 2006, shall mature on November 10, 2017, and shall bear interest as follows:

A. Interest on the Bonds shall be payable at a rate of 5% per annum (hereinafter sometimes called the "Tax-Exempt Rate"). Interest shall be computed on the basis of a year of 360 days, and the actual number of days in a month (actual number of days divided by 360) payable for the actual number of days elapsed during any portion of a month.

B. Notwithstanding any other provision herein, in the event the interest on the Bonds is declared to be includible in gross income for federal income tax purposes by the Internal Revenue Service ("Determination of Taxability"), interest on the Bonds shall be payable at a rate of 9% per annum (hereinafter sometimes called the "Taxable Rate"). Interest at the Taxable Rate shall commence to accrue on the date of Determination of Taxability and such interest rate shall be charged retroactively and prospectively for all periods in which interest paid on the Bonds is asserted, declared or determined to be includible in gross income for federal income tax purposes, and shall continue until the entire principal of and interest on the Bonds are paid, notwithstanding that the entire principal amount of the Bonds may have been paid in full prior to the Determination of Taxability. Any interest being past due on the Bonds by reason of such increase shall become immediately due and payable.

C. The Bond shall be payable in 131 monthly installments, commencing January 10, 2007, and continuing on the 10th day of each month thereafter to and including November 10, 2017. The monthly installments shall consist of principal and interest shall be as listed on the debt service schedule attached hereto as Exhibit B.

D. All payments received by the Paying Agent on account of this Bond shall be applied first to payment of interest accrued on the Bond and next to payment of principal of this Bond. If not sooner paid, the entire principal amount of this Bond unpaid on November 10, 2017, together with all accrued interest and any other sums due and owing upon this Bond shall be due and payable on such date.

Section 2. All other provisions relating to the Bonds and the text of the Bonds shall be in substantially the form provided in the Bond Resolution.

Section 3. The Issuer does hereby approve the terms of the Commitment Letter, including specifically the prepayment premium should the Bonds be prepaid prior to maturity.

Section 4. The Bonds shall be sold to JP Morgan Chase Bank, N.A., Charleston, West Virginia, and shall be registered in the name of such bank. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon.

Section 5. The Issuer does hereby appoint and designate JP Morgan Chase Bank, N.A., Charleston, West Virginia, the Registrar and the Paying Agent for the Bonds.

Section 6. The Issuer hereby designates the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

Section 7. The Issuer does hereby authorize the transfer of \$32,200 to the West Virginia Municipal Bond Commission to fund the Series 2006 Bond Reserve Account, which amount is 10% of the stated principal amount of the Series 2006 A Bonds.

Section 8. The Chairman and Secretary are hereby authorized and directed to execute and deliver the Bonds and such other documents and certificates required or desirable in connection with the Bonds hereby and by the Bond Resolution approved and provided for, to the end that the Bonds may be delivered to the Purchaser on or about November 22, 2006.

Section 9. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 21st day of November, 2006.

VALLEY FALLS PUBLIC SERVICE DISTRICT

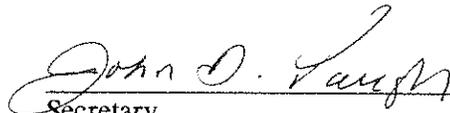
By: *Eugene M. Sapp*
Its: Chairman

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of Valley Falls Public Service District on the 21st day of November, 2006.

Date: November 22, 2006

[SEAL]


Secretary

11.15.06
928790.00001

EXHIBIT A

COMMITMENT LETTER

SEE TAB 18

EXHIBIT B

DEBT SERVICE SCHEDULE

VALLEY FALLS, P.S.D. / AMORTIZATION SCHEDULE

PRINCIPAL: \$322,000.00
 INTEREST RATE: 5.000
 ADVANCE DATE: 11/22/06
 DUE DATE: 01/10/07
 PAYMENTS 131

THIS AMORTIZATION SCHEDULE IS BASED ON ALL PAYMENTS BEING MADE EXACTLY ON THE DUE DATE, WITH NO EXTENSIONS TAKEN OR OTHER FEES ASSESSED. THEREFORE, THE ACTUAL AMOUNTS APPLIED TO PRINCIPAL AND INTEREST MAY BE DIFFERENT THAN WHAT ACTUALLY POSTS ON YOUR ACCOUNT IF YOUR PAYMENTS ARE MADE EARLY OR LATE.

DATE	NO	PAYMT	PRIN.	INT.	BALANCE
01/10/07	1	3214.17	1022.78	2191.39	320977.22
02/10/07	2	3214.17	1832.18	1381.99	319145.04
03/10/07	3	3214.17	1973.05	1241.12	317171.99
04/10/07	4	3214.17	1848.57	1365.60	315323.42
05/10/07	5	3214.17	1900.32	1313.85	313423.10
06/10/07	6	3214.17	1864.71	1349.46	311558.39
07/10/07	7	3214.17	1916.01	1298.16	309642.38
08/10/07	8	3214.17	1880.99	1333.18	307761.39
09/10/07	9	3214.17	1889.09	1325.08	305872.30
10/10/07	10	3214.17	1939.70	1274.47	303932.60
11/10/07	11	3214.17	1905.57	1308.60	302027.03
12/10/07	12	3214.17	1955.72	1258.45	300071.31
01/10/08	13	3214.17	1922.20	1291.97	298149.11
02/10/08	14	3214.17	1930.47	1283.70	296218.64
03/10/08	15	3214.17	2021.07	1193.10	294197.57
04/10/08	16	3214.17	1947.49	1266.68	292250.08
05/10/08	17	3214.17	1996.46	1217.71	290253.62
06/10/08	18	3214.17	1964.47	1249.70	288289.15
07/10/08	19	3214.17	2012.97	1201.20	286276.18
08/10/08	20	3214.17	1981.59	1232.58	284294.59
09/10/08	21	3214.17	1990.12	1224.05	282304.47
10/10/08	22	3214.17	2037.90	1176.27	280266.57
11/10/08	23	3214.17	2007.47	1206.70	278259.10
12/10/08	24	3214.17	2054.76	1159.41	276204.34
01/10/09	25	3214.17	2024.96	1189.21	274179.38
02/10/09	26	3214.17	2033.68	1180.49	272145.70
03/10/09	27	3214.17	2155.83	1058.34	269989.87
04/10/09	28	3214.17	2051.71	1162.46	267938.16
05/10/09	29	3214.17	2097.76	1116.41	265840.40
06/10/09	30	3214.17	2069.58	1144.59	263770.82
07/10/09	31	3214.17	2115.12	1099.05	261655.70
08/10/09	32	3214.17	2087.60	1126.57	259568.10

09/10/09	33	3214.17	2096.59	1117.58	257471.51
10/10/09	34	3214.17	2141.37	1072.80	255330.14
11/10/09	35	3214.17	2114.83	1099.34	253215.31
12/10/09	36	3214.17	2159.11	1055.06	251056.20
01/10/10	37	3214.17	2133.23	1080.94	248922.97
02/10/10	38	3214.17	2142.42	1071.75	246780.55
03/10/10	39	3214.17	2254.47	959.70	244526.08
04/10/10	40	3214.17	2161.35	1052.82	242364.73
05/10/10	41	3214.17	2204.32	1009.85	240160.41
06/10/10	42	3214.17	2180.15	1034.02	237980.26
07/10/10	43	3214.17	2222.59	991.58	235757.67
08/10/10	44	3214.17	2199.10	1015.07	233558.57
09/10/10	45	3214.17	2208.57	1005.60	231350.00
10/10/10	46	3214.17	2250.21	963.96	229099.79
11/10/10	47	3214.17	2227.77	986.40	226872.02
12/10/10	48	3214.17	2268.87	945.30	224603.15
01/10/11	49	3214.17	2247.13	967.04	222356.02
02/10/11	50	3214.17	2256.80	957.37	220099.22
03/10/11	51	3214.17	2358.23	855.94	217740.99
04/10/11	52	3214.17	2276.67	937.50	215464.32
05/10/11	53	3214.17	2316.40	897.77	213147.92
06/10/11	54	3214.17	2296.45	917.72	210851.47
07/10/11	55	3214.17	2335.62	878.55	208515.85
08/10/11	56	3214.17	2316.39	897.78	206199.46
09/10/11	57	3214.17	2326.37	887.80	203873.09
10/10/11	58	3214.17	2364.70	849.47	201508.39
11/10/11	59	3214.17	2346.56	867.61	199161.83
12/10/11	60	3214.17	2384.33	829.84	196777.50
01/10/12	61	3214.17	2366.93	847.24	194410.57
02/10/12	62	3214.17	2377.12	837.05	192033.45
03/10/12	63	3214.17	2440.70	773.47	189592.75
04/10/12	64	3214.17	2397.87	816.30	187194.88
05/10/12	65	3214.17	2434.19	779.98	184760.69
06/10/12	66	3214.17	2418.67	795.50	182342.02
07/10/12	67	3214.17	2454.41	759.76	179887.61
08/10/12	68	3214.17	2439.65	774.52	177447.96
09/10/12	69	3214.17	2450.16	764.01	174997.80
10/10/12	70	3214.17	2485.01	729.16	172512.79
11/10/12	71	3214.17	2471.41	742.76	170041.38
12/10/12	72	3214.17	2505.66	708.51	167535.72
01/10/13	73	3214.17	2492.84	721.33	165042.88
02/10/13	74	3214.17	2503.57	710.60	162539.31
03/10/13	75	3214.17	2582.07	632.10	159957.24
04/10/13	76	3214.17	2525.47	688.70	157431.77
05/10/13	77	3214.17	2558.20	655.97	154873.57
06/10/13	78	3214.17	2547.35	666.82	152326.22
07/10/13	79	3214.17	2579.48	634.69	149746.74
08/10/13	80	3214.17	2569.43	644.74	147177.31
09/10/13	81	3214.17	2580.49	633.68	144596.82
10/10/13	82	3214.17	2611.68	602.49	141985.14
11/10/13	83	3214.17	2602.85	611.32	139382.29
12/10/13	84	3214.17	2633.41	580.76	136748.88
01/10/14	85	3214.17	2625.39	588.78	134123.49
02/10/14	86	3214.17	2636.69	577.48	131486.80
03/10/14	87	3214.17	2702.83	511.34	128783.97
04/10/14	88	3214.17	2659.68	554.49	126124.29
05/10/14	89	3214.17	2688.65	525.52	123435.64

06/10/14	90	3214.17	2682.71	531.46	120752.93
07/10/14	91	3214.17	2711.03	503.14	118041.90
08/10/14	92	3214.17	2705.93	508.24	115335.97
09/10/14	93	3214.17	2717.58	496.59	112618.39
10/10/14	94	3214.17	2744.93	469.24	109873.46
11/10/14	95	3214.17	2741.10	473.07	107132.36
12/10/14	96	3214.17	2767.79	446.38	104364.57
01/10/15	97	3214.17	2764.82	449.35	101599.75
02/10/15	98	3214.17	2776.73	437.44	98823.02
03/10/15	99	3214.17	2829.86	384.31	95993.16
04/10/15	100	3214.17	2800.87	413.30	93192.29
05/10/15	101	3214.17	2825.87	388.30	90366.42
06/10/15	102	3214.17	2825.09	389.08	87541.33
07/10/15	103	3214.17	2849.41	364.76	84691.92
08/10/15	104	3214.17	2849.52	364.65	81842.40
09/10/15	105	3214.17	2861.79	352.38	78980.61
10/10/15	106	3214.17	2885.08	329.09	76095.53
11/10/15	107	3214.17	2886.54	327.63	73208.99
12/10/15	108	3214.17	2909.13	305.04	70299.86
01/10/16	109	3214.17	2911.49	302.68	67388.37
02/10/16	110	3214.17	2924.03	290.14	64464.34
03/10/16	111	3214.17	2954.52	259.65	61509.82
04/10/16	112	3214.17	2949.34	264.83	58560.48
05/10/16	113	3214.17	2970.17	244.00	55590.31
06/10/16	114	3214.17	2974.82	239.35	52615.49
07/10/16	115	3214.17	2994.94	219.23	49620.55
08/10/16	116	3214.17	3000.53	213.64	46620.02
09/10/16	117	3214.17	3013.44	200.73	43606.58
10/10/16	118	3214.17	3032.48	181.69	40574.10
11/10/16	119	3214.17	3039.48	174.69	37534.62
12/10/16	120	3214.17	3057.78	156.39	34476.84
01/10/17	121	3214.17	3065.73	148.44	31411.11
02/10/17	122	3214.17	3078.93	135.24	28332.18
03/10/17	123	3214.17	3103.99	110.18	25228.19
04/10/17	124	3214.17	3105.55	108.62	22122.64
05/10/17	125	3214.17	3121.99	92.18	19000.65
06/10/17	126	3214.17	3132.36	81.81	15868.29
07/10/17	127	3214.17	3148.05	66.12	12720.24
08/10/17	128	3214.17	3159.40	54.77	9560.84
09/10/17	129	3214.17	3173.01	41.16	6387.83
10/10/17	130	3214.17	3187.55	26.62	3200.28
11/10/17	131	3214.06	3200.28	13.78	0.00

**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 25th day of October, 2006.

CASE NO. 05-0633-PWD-CN

VALLEY FALLS PUBLIC SERVICE DISTRICT
a public utility, Fairmont, Marion County.

Application for a certificate of convenience and necessity to construct certain additions and improvements to its existing water distribution system and for approval of the financing thereof, and for approval of a revised Water Purchase Contract with the City of Fairmont.

COMMISSION ORDER

By this Order, the Commission approves the Valley Falls Public Service District's (District) refinancing of an existing loan, refers the reopened certificate case to the Division of Administrative Law Judges to conduct a hearing, and retains the matter for decision following the hearing.

Background

By Recommended Decision issued August 23, 2005, which became a final order of the Commission on September 12, 2005, the Commission granted the District a certificate of convenience and necessity to construct certain additions and improvements to its existing waterworks distribution facilities, consisting of water main installation in Colfax, along Levels/Goose Creek Road and Otter Run, Bunner, Ridge and Pride Ridge Road; construction of a 180-gpm Goose Creek booster station; construction of a 150-gpm Otter Run booster station; installation of radio telemetry and SCADA system; construction of a 250,000-gallon East Grafton Road storage tank; construction of a 235,000-gallon Ridge storage tank; and appurtenances relating thereto. The Commission further approved the financing of the project, consisting of a West Virginia Infrastructure and Jobs Development Council (WVIJDC) loan in the amount of \$3,920,700, for a term of thirty-two (32) years, at 0% interest. The order also approved revisions to the water purchase

contract by and between the District and the City of Fairmont, and increased rates and charges of approximately 27%.

On September 12, 2006, the District filed a petition to reopen this proceeding. The District stated that bids for the project were in excess of the loan amount. The District now estimates the cost of construction to be approximately \$4,878,315. To meet the funding shortfall, the District obtained a commitment for additional loan funds from WVIJDS in the amount of \$957,615. Bids expire on November 8, 2006. To meet the new debt service amounts, the District requests a larger rate increase.

Additionally, the District stated that Chase Bank has offered it an opportunity to refinance its current GMAC loan bearing a 5% interest rate and maturing in 2017, on identical terms. The refinancing will allow the District to avoid obtaining GMAC's consent to the increased WVIJDC loan, which is difficult and expensive to accomplish. The GMAC/Chase Bank refinancing will have no rate impact.

The District attached a Notice of Reopening to its petition. The District stated that it required a Commission Order approving this petition no later than October 25, 2006.

On September 15, 2006, District's counsel filed a letter enclosing an Affidavit representing that the District mailed the Notice of Reopening to each of its customers on September 15, 2006.

On September 25, 2006, the District filed an Affidavit of Publication evidencing that the Notice of Reopening was published in the *Times West Virginian* of Marion County, on September 18, 2006.

A substantial number of protest letters have been filed in response to the Notice of Reopening.

On October 6, 2006, the District filed a copy of its commitment letter from the WVIJDC to loan the additional \$957,615 to the District, bringing the total WVIJDC funding for the project to \$4,873,315.

Also on October 6, 2006, the District filed a Motion to approve the refinancing of the GMAC loan. In this Motion, the District noted that refinancing of the GMAC loan by Chase Bank will have no rate impact and that Chase Bank's refinancing proposal expires on October 31, 2006. The District also acknowledged the protests that had been filed in response to the Notice of Reopening, and that a hearing may be necessary with respect to the certificate project financing.

On October 17, 2006, Commission Staff filed an Initial Joint Staff Memorandum recommending that the Commission issue an interim order approving the refinancing of the GMAC loan, and that the remaining certificate case issues be set for hearing. Staff

noted that in view of the protests filed, the District's request for an order approving all of the issues in this reopened case cannot be issued by the requested date of October 25, 2006. Staff recommended the District seek a 60-day extension of its project bids.

DISCUSSION

As the Chase Bank refinancing of the existing GMAC loan will be on identical terms with no rate impact, the Commission finds that an interim order may issue approving that refinancing.

As a hearing is required in this reopened certificate case, the Commission shall refer the case to the Division of Administrative Law Judges to conduct a hearing. As the District has been advised by Staff to seek 60-day bid extensions, the Commission shall require the ALJ Division to conduct the hearing during, or prior to the first week of December 2006. The Commission shall retain the case for decision following the hearing.

FINDINGS OF FACT

1. By Recommended Decision issued August 23, 2005, which became a final order of the Commission on September 12, 2005, the Commission granted the District a certificate of convenience and necessity to construct certain additions and improvements to its existing waterworks distribution facilities. The order also approved: (1) related financing, including a WVIJDC loan in the amount of \$3,920,700, for a term of thirty-two (32) years, at 0% interest; (2) revisions to the water purchase contract by and between the District and the City of Fairmont; and (3) increased rates and charges of approximately 27%.

2. On September 12, 2006, the District filed a petition to reopen this proceeding. The District stated that bids for the project were in excess of the loan amount. The District estimated the cost of construction to be approximately \$4,878,315. To meet the funding shortfall, the District obtained a commitment for additional loan funds from WVIJDS in the amount of \$957,615. Bids would expire on November 8, 2006. To meet the new debt service amounts, the District requested a larger rate increase.

3. Additionally, the District stated that Chase Bank has offered it an opportunity to refinance its current GMAC loan bearing a 5% interest rate and maturing in 2017, on identical terms. The refinancing will allow the District to avoid obtaining GMAC's consent to the increased WVIJDC loan, which is difficult and expensive to accomplish. The GMAC/Chase Bank refinancing will have no rate impact.

4. On September 15, 2006, District's counsel filed a letter enclosing an Affidavit representing that the District mailed a Notice of Reopening to each of its customers on September 15, 2006.

5. On September 25, 2006, the District filed an Affidavit of Publication evidencing that the Notice of Reopening was published in the *Times West Virginian* of Marion County, on September 18, 2006.

6. Several protest letters have been filed in response to the Notice of Reopening.

7. On October 6, 2006, the District filed a copy of its commitment letter from the WVIJDC to loan the additional \$957,615 to the District, bringing the total WVIJDC funding for the project to \$4,873,315.

8. Also on October 6, 2006, the District filed a Motion to approve the refinancing of the GMAC loan. In the Motion, the District anticipated that a hearing would be needed on the proposed rate increase.

9. On October 17, 2006, Commission Staff filed an Initial Joint Staff Memorandum recommending that the Commission issue an interim order approving the refinancing of the GMAC loan, and that the remaining certificate case issues be set for hearing. Staff noted that in view of the protests filed, the District's request for an order approving all of the issues in this reopened case cannot be issued by the requested date of October 25, 2006. Staff recommended that the District seek bid extensions for at least 60 days from the current, November 8, 2006, expiration date.

CONCLUSIONS OF LAW

1. As the Chase Bank refinancing of the existing GMAC loan will be on identical terms with no rate impact, the Commission finds that an interim order may issue approving that refinancing.

2. The case shall be referred to the Division of Administrative Law Judges to conduct a hearing during or prior to the first week of December 2006.

3. The Commission shall retain the case for decision following the hearing.

ORDER

IT IS THEREFORE ORDERED that this proceeding is hereby reopened.

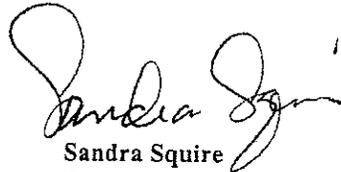
IT IS FURTHER ORDERED that Valley Falls Public Service District is hereby authorized to refinance its previously existing loan from GMAC, with an approximate current balance of \$325,000.00, a payment term of approximately 11 years, at 5% interest, with Chase Bank, on identical terms.

IT IS FURTHER ORDERED that the Division of Administrative Law Judges shall conduct a hearing in this matter during or prior to the first week of December 2006. The ALJ shall order the hearing transcript to be expedited.

IT IS FURTHER ORDERED that the Commission shall retain this case for decision following the hearing.

IT IS FURTHER ORDERED that the Commission's Executive Secretary serve a copy of this order upon all parties of record by United States First Class Mail and upon Commission Staff by hand delivery.

A True Copy, Teste:



Sandra Squire
Executive Secretary

JML/ljm
050633ca.wpd

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

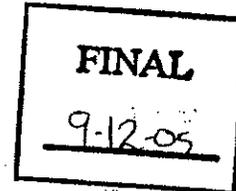
ENTERED**ORIGINAL**

Order Book 05-MM Entered: August 23, 2005

CASE NO. 05-0633-PWD-CN

VALLEY FALLS PUBLIC SERVICE DISTRICT,
a public utility, Fairmont,
Marion County.

Application for a certificate of convenience and necessity to construct certain additions and improvements to its existing water distribution system and for approval of the financing thereof, and for approval of a revised Water Purchase Contract with the City of Fairmont.

RECOMMENDED DECISION

On May 5, 2005, Valley Falls Public Service District (District) filed an application, duly verified, for a certificate of convenience and necessity¹ to construct certain additions and improvements to its existing waterworks distribution facilities, consisting of water main installation in Colfax, along Levels/Goose Creek Road and Otter Run, Bunner Ridge and Pride Ridge Road; construction of a 180-gpm Goose Creek booster station; construction of a 150-gpm Otter Run booster station; installation of radio telemetry and SCADA system; construction of a 250,000-gallon East Grafton Road storage tank; construction of a new 235,000-gallon Ridge storage tank; and appurtenances relating thereto (the Project). The estimated cost of the Project is not to exceed \$3,920,700, and Project funding has been approved by the West Virginia Infrastructure and Jobs Development Council (WVIJDC), as evidenced by approval letters from the WVIJDC attached to the application as Exhibit D. The Project will be financed by a loan from the WVIJDC in the amount of \$3,920,700, at an interest rate of 0%, for a term of thirty-two (32) years, as reflected in a copy of the WVIJDC's January 7, 2005 commitment letter attached to the application as Exhibit E. The District proposed a 27.83% increase in rates to generate sufficient revenues to cover the increased debt service and operation and maintenance (O&M) expenses associated with the Project. A Rule 42 Exhibit for the year ended June 30, 2004, prepared by Gary K. Bennett, C.P.A., was attached to the certificate application as Exhibit F and a proposed Notice of Filing was attached to the application as Exhibit K.

¹Pursuant to West Virginia Code §24-2-11, the District had filed Form No. 13-Information of Pre-Filing, together with a Preliminary Engineering Report, on January 12, 2005.

The District purchases water from the City of Fairmont (City) pursuant to a Water Purchase Contract dated June 7, 1976 (Water Contract). The City's water plant provides complete treatment and meets all current drinking water standards and has ample capacity to supply the additional water required for the Project at issue herein. The term of the Water Contract ends in 2026 and, as a requirement of closing, the WVIJDC requires that the term of the Water Contract be extended to match the term of the WVIJDC's loan. The 1976 Water Contract was attached to the certificate application as Exhibit I. The District requested that a revised Water Purchase Contract by and between it and the City of Fairmont also be approved in this proceeding, although a revised contract was not included in the filing.

By Order dated May 6, 2005, the District was directed to provide notice of the filing of the application by publishing a copy of said Order once in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Marion County, West Virginia, making due return to the Commission of proper certification of publication immediately after publication. The Notice directed that anyone desiring to make objection to the certificate application had do so, in writing, within thirty (30) days after publication of said Notice. It was further provided that failure to timely protest or intervene could affect one's right to protest, including any associated rate increase, or to participate in future proceedings. The Notice also stated that the proposed rate increases, as set forth in the Notice, were based on averages of all customers in the indicated class. Individual customers might receive increases that are greater or less than average. Furthermore, the requested rates and charge were only proposals and were subject to change, increases or decreases, by the Public Service Commission in its review of the certificate application filed in this proceeding. The Notice further provided that, if no protests were received within the thirty-day period, the Commission could waive formal hearing and grant the certificate application, based upon the evidence submitted in the application and the Commission's review thereof.

On May 20, 2005, the District filed an affidavit of publication reflecting that, in compliance with the Commission's May 6, 2005 Order, the Notice of Filing was published on May 12, 2005, in the Times West Virginian, a newspaper, duly qualified by the Secretary of State, published and of general circulation in Marion County, West Virginia.

On May 31, 2005, the District filed an affidavit executed by its General Manager setting forth that the District has no resale customers and that it had included notification of the proposed rate increase associated with the certificate application filed herein on its postcard billings which were mailed to each of the District's customers.

On June 8, 2005, Staff Attorney Lisa Wansley-Lane filed an Initial Joint Staff Memorandum, to which was attached an Initial Internal Memorandum, dated May 25, 2005, prepared by Nathan Nelson, Utilities Analyst I, Water and Wastewater Division, and Jonathan Fowler, P.E., Staff Engineer, Engineering Division. Commission Staff requested that the District provide the following information and/or documentation, to-wit:

- (1) A copy of the revised purchased water agreement; and
- (2) A detailed breakdown of estimated operation and maintenance expenses.

Upon receipt and review of the above information and/or documentation, Commission Staff stated that it would issue a final recommendation in a timely manner. In the interim, referral of this matter to the Division of Administrative Law Judges for further disposition was recommended.

Also on June 8, 2005, Ms. Wansley-Lane filed Commission Staff's First Set of Interrogatories, Data Requests or Requests for Information. The District was requested to provide the information and/or documentation specified in Staff's May 25, 2005 Initial Internal Memorandum within twenty (20) days following service upon it of the First Set of Interrogatories, Data Requests or Requests for Information.

On June 23, 2005, the District filed the information and documentation requested by Commission Staff in its May 25, 2005 Initial Internal Memorandum and June 8, 2005 First Set of Interrogatories, Data Requests or Requests for Information.

By Order dated June 24, 2005, the Commission referred this matter to the Division of Administrative Law Judges for further disposition, with a decision due date of on or before December 1, 2005.

On June 28, 2005, the District filed a copy of Permit No. 16,608, issued by the State of West Virginia Office of Environmental Health Services, Infrastructure and Capacity Development, Environmental Engineering Division, on June 23, 2005, granting the District approval to install approximately 37,241 linear feet of 8-inch, 12,784 linear feet of 6-inch, 36 linear feet of 4-inch, 55 linear feet of 3-inch and 135 linear feet of 2-inch water line; add two (2) pressure reducing stations; add one (1) 250,000-gallon and one (1) 235,000-gallon water storage tank; abandon three (3) booster stations; abandon five (5) 50,000-gallon water storage tanks; add telemetry; and all necessary valves, controls, meters and appurtenances. The permit recited that the facilities in question were being upgraded and modified to capitalize on the recent City of Fairmont water system improvements; address current operating problems; and meet future customer demands.

On August 2, 2005, Ms. Wansley-Lane filed a Final Joint Staff Memorandum, to which was attached a Final Internal Memorandum, dated July 27, 2005, prepared by Messrs. Nelson and Fowler. According to Commission Staff, the District provides water service to approximately 1,500 residential and small commercial customers in the southern Marion County communities of Colfax, Quiet Dell, Bunner Ridge, Hopewell and Rock Lake. The District purchases all of its water from the City and then distributes this water to its customers via an extensive distribution system, which includes approximately 68 miles of various sizes of water mains, eight (8) water storage tanks of various sizes and six (6) booster pumping stations. At the present time, the District has four connections with the City's water system and utilizes four separate master meters to supply its system. The District reported total water purchases of 97,289,000 gallons and an unaccounted water loss of approximately 26% in

the Annual Report filed with the Commission for the fiscal year ending June 2004. It was noted that this level of unaccounted water loss is well above the maximum allowable level of 15% established by the Commission.

The proposed project will provide for: (1) the construction of two (2) new water storage tanks (256,000 gallons and 234,000 gallons); (2) the construction of two new water booster pumping stations, including new tank-level telemetry and a pump control system; (3) the construction of approximately 50,250 feet of water mains, 2-inch through 8-inch diameter, including various main line valves, accessories and appurtenances; (4) the demolition and removal of three of the existing booster pumping stations; (5) the demolition and removal of four of the existing water storage tanks; (6) the construction of two new main line pressure regulating stations; (7) the reconstruction of one master meter vault; and (8) various interconnections and reconnections between new and existing mains, lines and services.

No new customers will be added as a result of this project. However, the overall level of service to nearly all of the District's customers will be improved as a result of this project. Further, by increasing the distribution system pressure in the higher elevation portions of the District's service area, the project will not only eliminate the periodic low pressure complaints from these areas, but will enable the District to serve new customers which may be presently located at an elevation too high to receive adequate service from the existing system.

The present total estimated cost of the proposed project is \$3,920,700, and the estimated construction cost is \$2,917,600. A summary of the estimated project costs is as follows, to-wit:

Construction	\$2,917,600
Technical Services (Engineering & Inspection)	469,800
Lands and Right-of-ways	76,900
Legal Fees	35,000
Administration	35,000
Contingencies	356,400
Cost of Financing (Bond Counsel Fees)	<u>30,000</u>
Total	\$3,920,700

Based upon projections provided by the consulting engineer, the net annual increase in actual system-related O&M expenses for the proposed improvements will amount to \$14,023, with the increase being attributable to pumping and transmission/distribution expenses. In addition, the District has projected an increase in certain administrative and customer accounts amounting to an additional \$13,549 per year. The total projected increase amounts to approximately 7% of the current O&M budget.

Technical Staff reviewed the calculations provided in support of the O&M increases and found them to be reasonably conservative. Staff would suggest that the actual increases in power consumption would be less than estimated by the consulting engineer, since the new equipment is sure to be more efficient than the existing, aged pumping systems and since the project adds no new customers, i.e., no increase in water demand.

Technical Staff pointed out that actual costs for pumping equipment maintenance should actually decrease, since the new pumping systems will be under warranty for the first year of operation. Nonetheless, in the interest of conservatism and in recognition of the varied other costs which a water system typically encounters in its annual operations, Technical Staff supported the approximate 7% increase in O&M costs projected by the District's engineer.

Technical Staff's review of the materials provided with the initial filing revealed that certain items remained to be submitted. These included copies of various permits and approvals including the following:

- (a) West Virginia Division of Environmental Protection (DEP) erosion and sedimentation control permit for the proposed construction;
- (b) Corps of Engineers Permit for stream crossings;
- (c) Public Land Permits for stream crossings;
- (d) Department of Highway Permits for entry upon rights-of-way and for any ingress/egress which may be necessary. (This Permit is not actually issued until the project construction is awarded); and
- (e) Other Permits or Approvals required for construction of the project. (SHPO, Endangered Species, Fish & Wildlife, Wetlands, etc).

In response to an informal data request made by Staff, the District has provided additional responses and/or furnished additional materials relating to the above listed items. Based upon such supplementary information furnished by the District's consulting engineer, Technical Staff was of the opinion that this filing was sufficiently complete to allow the case to proceed. However, Staff cautioned the District that, if the Commission issued a certificate in this proceeding, it in no way negated the District's need to obtain the necessary permits and approvals from other governmental and regulatory authorities.

The District proposes to finance this project through a loan from the WVIJDC in the amount of \$3,920,700, for a term of thirty-two (32) years, at 0% interest. The loan will require monthly payments of \$10,210, or \$122,522 annually. The District will also be required to maintain a 10% debt reserve account until an amount equal to one year's payments is on deposit. The District filed with its certificate application, as Exhibit E, a commitment letter from the WVIJDC for the project funding, detailing the terms and conditions of the loan.

The District has proposed a 27% increase in rates to generate sufficient revenues to cover the increased debt service and O&M expenses. The increased rates generate a minimum bill of \$23.13, based on 3,000 gallons usage. Because the District has now fulfilled its obligation on a 1966 GMAC Bond which required \$22,608 annually, the pro forma increase in debt service is \$99,914. The District estimates O&M expenses will increase \$27,617 to \$413,941 annually. The increased rates will generate

a pro forma surplus of \$11,286, and debt service coverage of 115%. A cash flow analysis for the fiscal year ending June 30, 2004, which detailed Staff's adjustments, was attached to Staff's Final Internal Memorandum as Attachment 1.

The District's proposed tariff contained increased charges to the tap fee and the reconnection charge. The proposed tariff has a reconnection charge of \$30, increased from \$15. Staff recommended a reconnect charge of \$25, which would fall within the Commission's range of reasonableness and is similar to reconnect charges imposed by other utilities. For the tap fee, the District proposed a tap fee increase of \$100, from \$200 to \$300. In response, Staff requested, and was provided with, the District's current costs for setting a tap, the date of the District's last rate case and the number of taps set over the last three (3) years. The requested information showed that the District has set an average of twenty-seven (27) taps per year over the last three (3) years at an average cost of \$780. Although the cost for setting a tap is embedded in rates, given the above-mentioned data, Staff was of the opinion the increased tap fee should be approved. Additionally, Staff recalculated the District's leak adjustment rate to \$2.71. This rate takes into account the District's costs for purchased water of \$174,472, when limiting unaccounted-for water to 20%, and power for pumping of \$21,466 and is divided by the total annual gallons sold of 72,320 M gallons. The District's proposed tariff also included a proposed \$15 returned check charge, which was not addressed by Commission Staff nor included in the Staff-recommended tariff. The inclusion in the District's tariff of a maximum \$25 returned check charge will be approved by the undersigned since West Virginia Code §61-3-39e, effective June 4, 2003, now allows the payee or holder of any dishonored check to impose such a fee. However, the District may not begin charging the increased returned check charge until after the provision of notice, as will be subsequently set forth herein.

As part of this certificate proceeding, the District has requested Commission approval of a revised water purchase contract with the City of Fairmont. The District purchases all of its water from the City pursuant to a water purchase contract dated June 7, 1976, which will expire in 2026. The revised agreement extends the term of the water purchase contract to match the term of the WVIJDC's loan, as required by the WVIJDC, and Commission Staff was of the opinion that the required revisions were fair and should be approved.

Based upon its review of the District's certificate application, supporting data and documents submitted therewith, Commission Staff recommended that:

1. The District be granted a certificate of convenience and necessity to construct the proposed water system improvements in the amount of \$3,920,700, as more fully described in its application;
2. The District be required to submit copies of all necessary permits and approvals for the project, as soon as they are received by the District, and construction should not proceed until all such permits, approvals, easements,

rights-of-way and necessary real property have been secured;

3. The project funding, which consists of a loan from the WVIJDC in the amount of \$3,920,700, at 0% interest, for a term of thirty-two (32) years, be approved;
4. The Staff-recommended tariff be approved;
5. The revised purchased water contract with the City of Fairmont be approved;
6. If there is any change in the plans, scope or financing for the project, the District should request a reopening of this case for adjustments and approval;
7. The District provide a certified copy of the bid tabulation(s) for all contracts as soon as they become available; and
8. The District submit a copy of the certificate of substantial completion issued for each construction contract associated with the subject project as soon as they become available.

Commission Legal Staff noted that, effective July 8, 2005, West Virginia Code §24-2-11(j) states that "[a] public utility which has received a certificate of public convenience and necessity from the commission and has been approved by the infrastructure and jobs development council, is not required to, and cannot be compelled to, reopen the proceeding if the cost of the project changes but the change does not effect the rates established for the project." However, according to Commission Legal Staff, this statutory change did "not impact public service districts who are required to obtain Commission approval prior to accepting loans and/or grants. See West Virginia Code §16-13A-25." Therefore, should the financing of the subject project change, the District will be required, as in the past, to seek and obtain Commission approval of the financing changes, irrespective of whether the scope or plans of the project change.

By letter from the Commission's Executive Secretary dated August 2, 2005, the District was furnished a copy of Staff's recommendation and afforded ten (10) days within which to respond thereto, in writing. As of the date of this Order, no response has been filed by the District.

DISCUSSION

The need for this project is evident since the consequences of not completing this project will lead to steadily worsening pressure problems, shortages of potable water and, ultimately, a loss of service within certain portions of the distribution system. The system-wide improvements proposed by the subject project will serve to alleviate customer service problems, enhance overall operation of the system, reduce unaccounted-for water losses and reduce long-term O&M costs and

will provide the initial step toward a planned, controlled program of distribution system enhancements. The initiation of a series of improvement projects is an efficient and cost-effective means of increasing system capacity and improving reliability while simultaneously minimizing the impact of increased rates. Accordingly, the certificate application filed herein will be approved. The financing for the proposed project, consisting of a loan from the WVIJDC in the amount of \$3,920,700, for a term of thirty-two (32) years, at 0% interest, will also be approved.

The revisions to the existing water purchase contract by and between the District and the City of Fairmont are necessary to comply with the requirements for obtaining the WVIJDC loan which will be used to finance the District's proposed improvement project and will also be approved as being reasonable and necessary. The Staff-recommended rates, which will provide a reasonable cash flow surplus, after O&M expenses and debt service requirements, will also be approved, effective upon the District's completion of the project. The Staff-recommended tariff revisions, to reflect the language in the Commission's most recent Tariff Rules, will also be approved; however, the District will have to publish the notice attached hereto as Appendix B, in accordance with the requirements hereinafter set forth, since notice of the increased returned check charge was never published.

FINDINGS OF FACT

1. Valley Falls Public Service District filed an application for a certificate of convenience and necessity to construct certain additions and improvements to its existing waterworks distribution facilities, consisting of water main installation in Colfax, along Levels/Goose Creek Road and Otter Run, Bunner Ridge and Pride Ridge Road; construction of a 180-gpm Goose Creek booster station; construction of a 150-gpm Otter Run booster station; installation of radio telemetry and SCADA system; construction of a 250,000-gallon East Grafton Road storage tank; construction of a 235,000-gallon Ridge storage tank; and appurtenances relating thereto. The District proposed a 27.83% increase in rates to generate sufficient revenues to cover the increased debt service and O&M expenses associated with the project. (See, May 5, 2005 filing).

2. The estimated cost of the project is not to exceed \$3,920,700 and funding for the project consists of a confirmed loan from the WVIJDC in the amount of \$3,920,700, for a term of thirty-two (32) years, at 0% interest. (See, May 5, 2005 filing; Final Joint Staff Memorandum and attachment filed August 2, 2005).

3. The District purchases all of its water from the City of Fairmont pursuant to a water purchase contract dated June 7, 1976, which will expire in 2026. As part of this proceeding, the District has requested Commission approval of a revised water purchase contract with the City of Fairmont. The revised agreement extends the term of the water purchase contract to match the term of the WVIJDC's loan, as required by the WVIJDC. (See, May 5, 2005 filing; Response to First Set of Interrogatories filed June 23, 2005).

4. The District filed an affidavit of publication reflecting that the Notice of Filing of the application was published on May 12, 2005, in the Times West Virginian, a newspaper, duly qualified by the Secretary of State, published and of general circulation in Marion County, West Virginia. (See, Affidavit of Publication filed May 20, 2005).

5. No protests or objections were filed to the District's certificate application within the thirty-day response period, which expired on June 13, 2005, or as of the date of this Order. (See, case file generally).

6. Several areas of the District's distribution system are experiencing low pressure problems at peak demand. Several sections of the District's distribution system have undersized lines or are overloaded. The project also would allow some limited expansion to unserved areas. (See, Final Joint Staff Memorandum and attachment filed August 2, 2005).

7. The District's proposed 27.83% increase in rates will increase annual revenues by \$127,363, from \$483,289 per year to \$610,652 per year. The District estimates annual O&M expenses will increase \$27,617, to \$413,941 per year. Annual debt service from the new loan will be \$122,522. The increased rates will produce an annual surplus of \$11,286, and a debt service coverage of 115%. (See, Final Joint Staff Memorandum and attachment filed August 2, 2005).

8. Commission Staff is of the opinion that the District's proposed project is necessary to reduce or alleviate potential system failures and provide the first step toward a planned, controlled program of distribution system enhancements and is financially feasible and should be approved, together with the Staff-recommended tariff, which incorporates the District's requested 27.83% rate increase, as well as the language in the Commission's most recent Tariff Rules. (See, Final Joint Staff Memorandum and attachment filed August 2, 2005).

9. The District did not file any objection to the Staff recommendations despite being given the opportunity to do so. (See, August 2, 2005 Executive Secretary's letter; case file generally).

CONCLUSIONS OF LAW

1. The public convenience and necessity require the issuance of a certificate of convenience and necessity to Valley Falls Public Service District to construct certain additions and improvements to its existing waterworks distribution facilities, consisting of water main installation in Colfax, along Levels/Goose Creek Road and Otter Run, Bunner, Ridge and Pride Ridge Road; construction of a 180-gpm Goose Creek booster station; construction of a 150-gpm Otter Run booster station; installation of radio telemetry and SCADA system; construction of a 250,000-gallon East Grafton Road storage tank; construction of a 235,000-gallon Ridge storage tank; and appurtenances relating thereto.

2. It is reasonable to approve the financing of the project, which consists of a WVIJDC loan in the amount of \$3,920,700, for a term of thirty-two (32) years, at 0% interest.

3. It is reasonable to approve the revisions to the water purchase contract by and between the District and the City of Fairmont.

4. It is reasonable to approve the District's proposed rates and charges, as amended by Commission Staff and this Order, and as are more particularly set forth in Appendix A, attached hereto, to become effective for all services rendered by the District on or after the date the subject project is completed.

ORDER

IT IS, THEREFORE, ORDERED that a certificate of convenience and necessity be, and it hereby is, granted to Valley Falls Public Service District to construct certain additions and improvements to its existing waterworks distribution facilities, as described in the application filed herein on May 5, 2005, without need for a hearing.

IT IS FURTHER ORDERED that the financing of the project, consisting of a loan from the West Virginia Infrastructure and Jobs Development Council in the amount of \$3,920,700, for a term of thirty-two (32) years, at 0% interest, be, and hereby is, approved.

IT IS FURTHER ORDERED that the revised water purchase contract by and between Valley Falls Public Service District and the City of Fairmont filed herein on June 23, 2005, be, and hereby is, approved, without specifically approving the terms and conditions thereof.

IT IS FURTHER ORDERED that, within thirty (30) days of the date that this Order becomes final, Valley Falls Public Service District file herein a copy of the revised water purchase contract by and between the District and the City of Fairmont duly executed by both the District and the City of Fairmont.

IT IS FURTHER ORDERED that Valley Falls Public Service District's proposed rates and charges, as revised by Commission Staff and attached hereto as Appendix A, be, and hereby are, approved, to become effective for all service rendered by the District on and after the date the project is completed. However, the increased returned check charge, approved herein, must still be published as hereinafter set forth.

IT IS FURTHER ORDERED that Valley Falls Public Service District publish a copy of the Notice, attached hereto as Appendix B, once a week for two (2) successive weeks, in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Marion County, West Virginia, making due return to the Commission of proper affidavit of publication as soon as practicable.

IT IS FURTHER ORDERED that Valley Falls Public Service District be, and hereby is, directed to submit a certificate of substantial completion of the project from its engineer as soon as it becomes available.

IT IS FURTHER ORDERED that Valley Falls Public Service District file an original and at least five (5) copies of a revised tariff setting forth the rates and charges approved herein, within thirty (30) days from the date that the project is certified as completed.

IT IS FURTHER ORDERED that Valley Falls Public Service District be, and hereby is, directed to file a copy of the engineer's certified tabulations of bids for the project within ten (10) days of the opening date.

IT IS FURTHER ORDERED that, if there are any changes in the plans, scope or financing of the project, Valley Falls Public Service District shall obtain Commission approval of such changes prior to commencing construction.

IT IS FURTHER ORDERED that this matter be, and hereby is, removed from the Commission's docket of open cases.

The Executive Secretary is hereby ordered to serve a copy of this order upon the Commission by hand delivery, and upon all parties of record by United States Certified Mail, return receipt requested.

Leave is hereby granted to the parties to file written exceptions supported by a brief with the Executive Secretary of the Commission within fifteen (15) days of the date this order is mailed. If exceptions are filed, the parties filing exceptions shall certify to the Executive Secretary that all parties of record have been served said exceptions.

If no exceptions are so filed this order shall become the order of the Commission, without further action or order, five (5) days following the expiration of the aforesaid fifteen (15) day time period, unless it is ordered stayed or postponed by the Commission.

Any party may request waiver of the right to file exceptions to an Administrative Law Judge's Order by filing an appropriate petition in writing with the Secretary. No such waiver will be effective until approved by order of the Commission, nor shall any such waiver operate to make any Administrative Law Judge's Order or Decision the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.

John P. Carter

John P. Carter
Administrative Law Judge

JPC/dfs
050633a.wpd

VALLEY FALLS PUBLIC SERVICE DISTRICT
CASE NO. 05-0633-PWD-CN

APPROVED TARIFF

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY OF SERVICE

Available for general, domestic, commercial and industrial service.

RATE (customers with metered water supply)

First	3,000 gallons used per month	\$7.71 per 1,000 gallons
Next	2,000 gallons used per month	\$7.00 per 1,000 gallons
Next	2,000 gallons used per month	\$6.51 per 1,000 gallons
Next	3,000 gallons used per month	\$6.04 per 1,000 gallons
All over	10,000 gallons used per month	\$4.86 per 1,000 gallons

MINIMUM CHARGE

No minimum bill will be rendered for less than the following, based on meter size.

5/8-inch meter	\$ 23.13 per month
3/4-inch meter	\$ 34.70 per month
1-inch meter	\$ 57.83 per month
1-1/2-inch meter	\$ 115.65 per month
2-inch meter	\$ 185.04 per month
3-inch meter	\$ 346.95 per month
4-inch meter	\$ 578.25 per month
6-inch meter	\$1,156.50 per month

DELAYED PAYMENT PENALTY

The above scheduled is net. On all current usage billings not paid within twenty (20) days, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

RECONNECTION - \$25.00

To be charged whenever the supply of water is turned off for violations of rules, non-payment of bills or fraudulent use of water.

TAP FEE

The following charges are to be made whenever the utility installs a new tap to serve an applicant.

A tap fee of \$300.00 will be charged to customers applying for service outside of a certificate proceeding before the Commission for each new tap to the system.

RETURNED CHECK CHARGE

A service charge equal to the actual bank fee assessed to the District or a maximum of \$25.00 will be imposed upon any customer whose check for payment is returned by their bank due to insufficient funds.

LEAK ADJUSTMENT

\$2.71 per 1,000 gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible leakage on customer's side of the meter. This rate shall be applied to all such consumption above customer's historical average usage.

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

CASE NO. 05-0633-PWD-CN

VALLEY FALLS PUBLIC SERVICE DISTRICT,
a public utility, Fairmont,
Marion County:

Application for a certificate of convenience and necessity to construct certain additions and improvements to its existing water distribution system and for approval of the financing thereof, and for approval of a revised Water Purchase Contract with the City of Fairmont.

NOTICE OF INCREASED
RETURNED CHECK CHARGE

In a Recommended Decision entered August 23, 2005, an increased Returned Check Charge, as set forth below, was approved for use by Valley Falls Public Service District for use on or after the date its water distribution system improvement project is completed:

RETURNED CHECK CHARGE

A service charge equal to the actual bank fee assessed to the District or a maximum of \$25.00 will be imposed upon any customer whose check for payment is returned by their bank due to insufficient funds.

VALLEY FALLS PUBLIC SERVICE DISTRICT

VALLEY FALLS PUBLIC SERVICE DISTRICT

Water Refunding Revenue Bonds, Series 2006 A

CROSS-RECEIPT FOR BOND AND BOND PROCEEDS

The undersigned, authorized representative of JP Morgan Chase Bank, N.A., Charleston, West Virginia (the "Purchaser"), and the Chairman of the Public Service Board of Valley Falls Public Service District (the "Issuer"), hereby certify as follows:

1. On the 22nd day of November, 2006, at Charleston, West Virginia, the Purchaser received the single, fully registered Valley Falls Public Service District Water Refunding Revenue Bonds, Series 2006 A, No. AR-1 (the "Bond"), in the principal amount of \$322,000, dated November 22, 2006. The Bond represents the entire above-captioned Bond issue.

2. At the time of such receipt, the Bond had been executed and sealed by the designated officials of the Public Service Board of the Issuer.

3. The Issuer has received and hereby acknowledges receipt from the Purchaser of the sum of \$322,000, being the entire principal amount of the Bond.

[Remainder of Page Intentionally Left Blank]

WITNESS our respective signatures on this 22nd day of November, 2006.

JP MORGAN CHASE BANK, N.A.

By: 
Its: Authorized officer

VALLEY FALLS PUBLIC SERVICE DISTRICT

By: 
Its: Chairman

11.15.06
928780.00001

SPECIMEN

VALLEY FALLS PUBLIC SERVICE DISTRICT WATER REFUNDING REVENUE BONDS, SERIES 2006 A

No. AR-1

\$322,000

KNOW ALL MEN BY THESE PRESENTS: That on this the 22nd day of November, 2006, VALLEY FALLS PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Marion County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the order of

-JP MORGAN CHASE BANK, N.A. -

or registered assigns (the "Payee"), the principal sum of THREE HUNDRED TWENTY-TWO THOUSAND DOLLARS (\$322,000), plus interest as follows:

A. Interest on this Bond shall be payable at a rate of 5% per annum (hereinafter sometimes called the "Tax-Exempt Rate"). Interest shall be computed on the basis of a year of 360 days, and the actual number of days in a month (actual number of days divided by 360) payable for the actual number of days elapsed during any portion of a month.

B. Notwithstanding any other provision herein, in the event the interest on this Bond is declared to be includible in gross income for federal income tax purposes by the Internal Revenue Service ("Determination of Taxability"), interest on this Bond shall be payable at a rate of 9% per annum (hereinafter sometimes called the "Taxable Rate"). Interest at the Taxable Rate shall commence to accrue on the date of Determination of Taxability and such interest rate shall be charged retroactively and prospectively for all periods in which interest paid on this Bond is asserted, declared or determined to be includible in gross income for federal income tax purposes, and shall continue until the entire principal of and interest on this Bond are paid, notwithstanding that the entire principal amount of this Bond may have been paid in full prior to the Determination of Taxability. Any interest being past due on this Bond by reason of such increase shall become immediately due and payable.

C. This Bond shall be payable in 131 installments commencing on the 10th day of January, 2007 and on the 10th day of each month thereafter, to and including November 10, 2017 as set forth on Exhibit A

attached hereto and incorporated herein by reference. The monthly installments shall consist of principal and interest of \$3,214.17 per month.

D. All payments received by the Paying Agent on account of the Bond shall be applied first to payment of interest accrued on the Bond and next to payment of principal of the Bond. If not sooner paid, the entire principal amount of this Bond unpaid on November 10, 2017, together with all accrued interest and any other sums due and owing upon this Bond shall be due and payable on such date.

The principal of and interest on this Bond is payable in any coin or currency which on the date of payment thereof is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of JP Morgan Chase Bank, N.A., Charleston, West Virginia, as Bond Registrar and Paying Agent.

The Series 2006 A Bonds shall be subject to prepayment of the principal balance in whole on any scheduled payment date. If the Series 2006 A Bonds are paid in full more than six calendar months prior to their maturity date, then the Borrower shall pay to the Lender a prepayment premium equal to the Prepaid Principal multiplied by the Premium Percentage. The "Premium Percentage" shall be equal to one percent (1.0%) multiplied by the number of full years plus one for any additional part or portion of a year between the Prepayment Date and the maturity date of the Series 2006 A Bonds. Provided, however, in no event shall the Premium Percentage exceed five percent (5%) of the Prepaid Principal. The term "Prepaid Principal" shall mean the outstanding principal balance of the Series 2006 A Bonds at the Prepayment Date; provided however, at the discretion of Lender, all payments of principal made within thirty days prior to the Prepayment Date may be included in the Prepaid Principal amount subject to the Premium Percentage. The term "Prepayment Date" shall mean the date the prepayment is tendered.

This Bond is issued to (i) refund the Issuer's Water Revenue Bonds, Series 1976 (GMAC), and (ii) to pay costs of issuance and related costs. The existing public waterworks facilities of the Issuer, and any further additions, improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Resolution duly adopted by the Issuer on November 21, 2006, and a Supplemental Resolution, duly adopted by the Issuer on November 21, 2006 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof.

The principal of and interest on this Bond is payable only from and secured by a pledge of the Net Revenues to be derived from the operation of the System.

This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer

be obligated to pay the same or the interest hereon except from the source set forth above. Under the Bond Legislation, the Issuer has entered into certain covenants with the Payee, for the terms of which reference is made to said Bond Legislation. Remedies provided the Payee are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Bond Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to such registration requirements, this Bond, under the provision of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

In accordance with the requirements of the United States Department of Agriculture, the Bonds will be in default should any proceeds of the Bonds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

This Bond is hereby designated a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

~~IT IS HEREBY CERTIFIED, RECITED AND DECLARED~~ that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside by the Issuer for the prompt payment of the principal of and interest on this Bond.

All provisions of the Bond Legislation, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

This Bond shall not be valid or obligatory unless authenticated and registered by the Registrar by the execution of the Registrar's Certificate of Authentication and Registration attached hereto and incorporated herein.

IN WITNESS WHEREOF, VALLEY FALLS PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed hereon and attested by its Secretary, and has caused this Bond to be dated the day and year first written above.

VALLEY FALLS PUBLIC SERVICE DISTRICT

[SEAL]

By: *P. J. Sapp*
Its: Chairman

ATTEST:

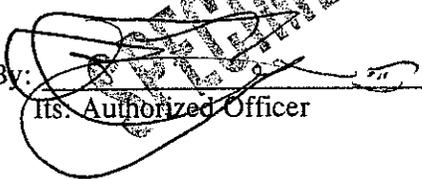
Jane R. [Signature]
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is to certify that this Bond is described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above.

Date: 11/22/06

JP MORGAN CHASE BANK, N.A.,
as Registrar

By: 
Its Authorized Officer

[Form of Assignment]

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto _____ the within-mentioned Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books of the Registrar on behalf of the said Issuer with full power of substitution in the premises.

Dated: _____, _____.

In the presence of:

EXHIBIT A

VALLEY FALLS, P.S.D. / AMORTIZATION SCHEDULE

PRINCIPAL: \$322,000.00
INTEREST RATE: 5.000
ADVANCE DATE: 11/22/06
DUE DATE: 01/10/07
PAYMENTS 131

THIS AMORTIZATION SCHEDULE IS BASED ON ALL PAYMENTS BEING MADE EXACTLY ON THE DUE DATE, WITH NO EXTENSIONS TAKEN OR OTHER FEES ASSESSED. THEREFORE, THE ACTUAL AMOUNTS APPLIED TO PRINCIPAL AND INTEREST MAY BE DIFFERENT THAN WHAT ACTUALLY POSTS ON YOUR ACCOUNT IF YOUR PAYMENTS ARE MADE EARLY OR LATE.

<u>DATE</u>	<u>NO</u>	<u>PAYMT</u>	<u>PRIN.</u>	<u>INT.</u>	<u>BALANCE</u>
01/10/07	1	3214.17	1022.78	2191.39	320977.22
02/10/07	2	3214.17	1832.18	1381.99	319145.04
03/10/07	3	3214.17	1973.05	1241.12	317171.99
04/10/07	4	3214.17	1848.57	1365.60	315323.42
05/10/07	5	3214.17	1900.32	1313.85	313423.10
06/10/07	6	3214.17	1864.71	1349.46	311558.39
07/10/07	7	3214.17	1916.01	1298.16	309642.38
08/10/07	8	3214.17	1880.99	1333.18	307761.39
09/10/07	9	3214.17	1889.09	1325.08	305872.30
10/10/07	10	3214.17	1939.70	1274.47	303932.60
11/10/07	11	3214.17	1905.57	1308.60	302027.03
12/10/07	12	3214.17	1955.72	1258.45	300071.31
01/10/08	13	3214.17	1922.20	1291.97	298149.11
02/10/08	14	3214.17	1930.47	1283.70	296218.64
03/10/08	15	3214.17	2021.07	1193.10	294197.57
04/10/08	16	3214.17	1947.49	1266.68	292250.08
05/10/08	17	3214.17	1996.46	1217.71	290253.62
06/10/08	18	3214.17	1964.47	1249.70	288289.15
07/10/08	19	3214.17	2012.97	1201.20	286276.18
08/10/08	20	3214.17	1981.59	1232.58	284294.59
09/10/08	21	3214.17	1990.12	1224.05	282304.47
10/10/08	22	3214.17	2037.90	1176.27	280266.57
11/10/08	23	3214.17	2007.47	1206.70	278259.10
12/10/08	24	3214.17	2054.76	1159.41	276204.34
01/10/09	25	3214.17	2024.96	1189.21	274179.38
02/10/09	26	3214.17	2033.68	1180.49	272145.70
03/10/09	27	3214.17	2155.83	1058.34	269989.87
04/10/09	28	3214.17	2051.71	1162.46	267938.16
05/10/09	29	3214.17	2097.76	1116.41	265840.40
06/10/09	30	3214.17	2069.58	1144.59	263770.82
07/10/09	31	3214.17	2115.12	1099.05	261655.70
08/10/09	32	3214.17	2087.60	1126.57	259568.10

09/10/09	33	3214.17	2096.59	1117.58	257471.51
10/10/09	34	3214.17	2141.37	1072.80	255330.14
11/10/09	35	3214.17	2114.83	1099.34	253215.31
12/10/09	36	3214.17	2159.11	1055.06	251056.20
01/10/10	37	3214.17	2133.23	1080.94	248922.97
02/10/10	38	3214.17	2142.42	1071.75	246780.55
03/10/10	39	3214.17	2254.47	959.70	244526.08
04/10/10	40	3214.17	2161.35	1052.82	242364.73
05/10/10	41	3214.17	2204.32	1009.85	240160.41
06/10/10	42	3214.17	2180.15	1034.02	237980.26
07/10/10	43	3214.17	2222.59	991.58	235757.67
08/10/10	44	3214.17	2199.10	1015.07	233558.57
09/10/10	45	3214.17	2208.57	1005.60	231350.00
10/10/10	46	3214.17	2250.21	963.96	229099.79
11/10/10	47	3214.17	2227.77	986.40	226872.02
12/10/10	48	3214.17	2268.87	945.30	224603.15
01/10/11	49	3214.17	2247.13	967.04	222356.02
02/10/11	50	3214.17	2256.80	957.37	220099.22
03/10/11	51	3214.17	2358.23	855.94	217740.99
04/10/11	52	3214.17	2276.67	937.50	215464.32
05/10/11	53	3214.17	2316.40	897.77	213147.92
06/10/11	54	3214.17	2296.45	917.72	210851.47
07/10/11	55	3214.17	2335.62	878.55	208515.85
08/10/11	56	3214.17	2316.39	897.78	206199.46
09/10/11	57	3214.17	2326.37	887.80	203873.09
10/10/11	58	3214.17	2364.70	849.47	201508.39
11/10/11	59	3214.17	2346.56	867.61	199161.83
12/10/11	60	3214.17	2384.33	829.84	196777.50
01/10/12	61	3214.17	2366.93	847.24	194410.57
02/10/12	62	3214.17	2377.12	837.05	192033.45
03/10/12	63	3214.17	2440.70	773.47	189592.75
04/10/12	64	3214.17	2397.87	816.30	187194.88
05/10/12	65	3214.17	2434.19	779.98	184760.69
06/10/12	66	3214.17	2418.67	795.50	182342.02
07/10/12	67	3214.17	2454.41	759.76	179887.61
08/10/12	68	3214.17	2439.65	774.52	177447.96
09/10/12	69	3214.17	2450.16	764.01	174997.80
10/10/12	70	3214.17	2485.01	729.16	172512.79
11/10/12	71	3214.17	2471.41	742.76	170041.38
12/10/12	72	3214.17	2505.66	708.51	167535.72
01/10/13	73	3214.17	2492.84	721.33	165042.88
02/10/13	74	3214.17	2503.57	710.60	162539.31
03/10/13	75	3214.17	2582.07	632.10	159957.24
04/10/13	76	3214.17	2525.47	688.70	157431.77
05/10/13	77	3214.17	2558.20	655.97	154873.57
06/10/13	78	3214.17	2547.35	666.82	152326.22
07/10/13	79	3214.17	2579.48	634.69	149746.74
08/10/13	80	3214.17	2569.43	644.74	147177.31
09/10/13	81	3214.17	2580.49	633.68	144596.82
10/10/13	82	3214.17	2611.68	602.49	141985.14
11/10/13	83	3214.17	2602.85	611.32	139382.29
12/10/13	84	3214.17	2633.41	580.76	136748.88
01/10/14	85	3214.17	2625.39	588.78	134123.49
02/10/14	86	3214.17	2636.69	577.48	131486.80
03/10/14	87	3214.17	2702.83	511.34	128783.97
04/10/14	88	3214.17	2659.68	554.49	126124.29
05/10/14	89	3214.17	2688.65	525.52	123435.64

06/10/14	90	3214.17	2682.71	531.46	120752.93
07/10/14	91	3214.17	2711.03	503.14	118041.90
08/10/14	92	3214.17	2705.93	508.24	115335.97
09/10/14	93	3214.17	2717.58	496.59	112618.39
10/10/14	94	3214.17	2744.93	469.24	109873.46
11/10/14	95	3214.17	2741.10	473.07	107132.36
12/10/14	96	3214.17	2767.79	446.38	104364.57
01/10/15	97	3214.17	2764.82	449.35	101599.75
02/10/15	98	3214.17	2776.73	437.44	98823.02
03/10/15	99	3214.17	2829.86	384.31	95993.16
04/10/15	100	3214.17	2800.87	413.30	93192.29
05/10/15	101	3214.17	2825.87	388.30	90366.42
06/10/15	102	3214.17	2825.09	389.08	87541.33
07/10/15	103	3214.17	2849.41	364.76	84691.92
08/10/15	104	3214.17	2849.52	364.65	81842.40
09/10/15	105	3214.17	2861.79	352.38	78980.61
10/10/15	106	3214.17	2885.08	329.09	76095.53
11/10/15	107	3214.17	2886.54	327.63	73208.99
12/10/15	108	3214.17	2909.13	305.04	70299.86
01/10/16	109	3214.17	2911.49	302.68	67388.37
02/10/16	110	3214.17	2924.03	290.14	64464.34
03/10/16	111	3214.17	2954.52	259.65	61509.82
04/10/16	112	3214.17	2949.34	264.83	58560.48
05/10/16	113	3214.17	2970.17	244.00	55590.31
06/10/16	114	3214.17	2974.82	239.35	52615.49
07/10/16	115	3214.17	2994.94	219.23	49620.55
08/10/16	116	3214.17	3000.53	213.64	46620.02
09/10/16	117	3214.17	3013.44	200.73	43606.58
10/10/16	118	3214.17	3032.48	181.69	40574.10
11/10/16	119	3214.17	3039.48	174.69	37534.62
12/10/16	120	3214.17	3057.78	156.39	34476.84
01/10/17	121	3214.17	3065.73	148.44	31411.11
02/10/17	122	3214.17	3078.93	135.24	28332.18
03/10/17	123	3214.17	3103.99	110.18	25228.19
04/10/17	124	3214.17	3105.55	108.62	22122.64
05/10/17	125	3214.17	3121.99	92.18	19000.65
06/10/17	126	3214.17	3132.36	81.81	15868.29
07/10/17	127	3214.17	3148.05	66.12	12720.24
08/10/17	128	3214.17	3159.40	54.77	9560.84
09/10/17	129	3214.17	3173.01	41.16	6387.83
10/10/17	130	3214.17	3187.55	26.62	3200.28
11/10/17	131	3214.06	3200.28	13.78	0.00

November 22, 2006

Valley Falls Public Service District
Water Refunding Revenue Bonds, Series 2006 A

Valley Falls Public Service District
Fairmont, West Virginia 26555-0477

JP Morgan Chase Bank, N.A.
Charleston, West Virginia 25324

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Valley Falls Public Service District in Marion County, West Virginia (the "Issuer"), of its \$322,000 Water Refunding Revenue Bonds, Series 2006 A, dated the date hereof (the "Bonds"), pursuant to Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Resolution of the Issuer duly adopted November 21, 2006, and a Supplemental Resolution of the Issuer duly adopted November 21, 2006 (collectively, the "Bond Legislation"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

The Bond Legislation provides that the Bonds are issued for the purposes of (i) currently refunding the Issuer's Water Revenue Bonds, Series 1976 dated January 25, 1977, issued in the original aggregate principal amount of \$665,000, (the "GMAC Bonds"); and (ii) paying costs of issuance and related costs. Upon issuance and delivery of the Bonds, the GMAC Bonds and all interest accrued thereon will be paid in full.

In connection with the issuance of the Bonds, the Issuer has executed a Certificate as to Arbitrage, dated as of the date hereof (the "Certificate as to Arbitrage"), which, among other things, sets forth restrictions on the investment and expenditure of the Bond proceeds and earnings thereon, to ensure that the arbitrage requirements of the Internal Revenue Code of 1986, as amended, and regulations thereunder (collectively, the "Code"), necessary to establish and maintain the excludability of interest on the Bonds from gross income for federal income tax purposes, are and will continue to be met.

As to questions of fact material to our opinion, we have relied upon the representations of the Issuer contained in the Bond Legislation and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Issuer is duly created and validly existing as a public service district and as a public corporation and a political subdivision of the State of West Virginia, with corporate power to adopt the Bond Legislation, perform the agreements on its part contained therein and to issue and sell the Bonds, all under the Act and other applicable provisions of law.

2. The Bond Legislation has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.

3. The Bonds have been duly authorized, executed and delivered by the Issuer and constitute a valid and binding special obligation of the Issuer, payable from and secured by a first lien on the Net Revenues (as such term is defined in the Bond Legislation) of the System and a statutory mortgage lien in accordance with the Act.

4. Under the laws, regulations, published rulings and judicial decisions of the United States of America existing on the date hereof, the interest on the Bonds (including original issue discount properly allocable to owners of the Bonds) is excludable from gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. Ownership of tax-exempt obligations, including the Bonds, may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. We offer no opinion as to such collateral tax consequences. Prospective purchasers of the Bonds should consult their own tax advisors as to such consequences. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Internal Revenue Code of 1986, as amended, and regulations thereunder (the "Code") that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Resolution, and the Certificate as to Arbitrage. Failure to comply with such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. Except as set forth in paragraph 6 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

6. Under the Act, the Bonds are exempt from taxation by the State of West Virginia, and the other taxing bodies of said State, and the interest on the Bonds is exempt from personal and corporate net income taxes imposed directly thereon by the State of West Virginia.

7. The GMAC Bonds have been paid in full and the covenants, agreements and other obligations of the Issuer to the holder of the GMAC Bond have been satisfied and discharged. In rendering this opinion, we have relied upon evidence of the receipt and release of Capmark Finance Inc., as successor in interest to GMAC Acceptance Corporation dated as of the date hereof.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Bond Legislation and the liens and pledges set forth therein, may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,


STEPTOE & JOHNSON PLLC

November 22, 2006

Valley Falls Public Service District
Water Refunding Revenue Bonds, Series 2006 A

JP Morgan Chase Bank, N.A.
Charleston, West Virginia 25324

StepToe & Johnson PLLC
Charleston, West Virginia 25326-1588

Ladies and Gentlemen:

We are counsel to Valley Falls Public Service District, in Marion County, West Virginia (the "Issuer"). As such counsel, we have examined copies of the Bond Legislation (as defined therein) and other documents relating to the above-captioned Bonds (the "Bonds") of the Issuer. All capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Bond Legislation when used herein.

We are of the opinion that:

1. The Issuer is duly created and validly existing as a public service district and as a public corporation and a political subdivision of the State of West Virginia, with full power and authority to refund the GMAC Bonds, to operate and maintain the System, to adopt the Bond Legislation, all under the Act and other applicable provisions of law.
2. The members and officers of the Public Service Board of the Issuer have been duly, lawfully and properly appointed and elected, have taken the requisite oaths, and are authorized to act in their respective capacities on behalf of the Issuer.
3. The Bond Legislation has been duly adopted by the Issuer and is in full force and effect.
4. To the best of our knowledge, after due inquiry, the execution and delivery of the Bonds and the consummation of the transactions contemplated by the Bonds and the Bond Legislation, and the carrying out of the terms thereof, do not and will not in any material respect conflict with or constitute on the part of the Issuer a breach of or default under any instrument, document or agreement to which the Issuer is a party or by which the Issuer or its properties are bound or any existing law, regulation, order or decree to which the Issuer is subject.

5. All permits, licenses, approvals, consents, certificates, orders, exemptions and authorizations necessary for the due creation and valid existence of the Issuer, the issuance of the Bonds, the refunding of the GMAC Bonds, and the financing of the costs thereof, the operation of the System and the imposition of rates and charges have been entered and/or received, including, without limitation, all requisite orders, certificates, consents and approvals from The County Commission of Marion County and the Public Service Commission of West Virginia, and the Issuer has taken any other action required for the imposition of such rates and charges, including, without limitation, the adoption of a resolution prescribing such rates and charges.

6. To the best of our knowledge, after due inquiry, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein any unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Bonds and the Bond Legislation, the refunding of the GMAC Bonds, the operation of the System or the validity of the Bonds or the collection or pledge of the Net Revenues therefor.

All counsel to this transaction may rely upon this opinion as if specifically addressed to them.

Very truly yours,


STEPH & JOHNSON PLLC

VALLEY FALLS PUBLIC SERVICE DISTRICT

Water Refunding Revenue Bonds, Series 2006 A

GENERAL CERTIFICATE OF ISSUER ON:

1. TERMS
2. AWARD OF BONDS
3. NO LITIGATION
4. GOVERNMENTAL APPROVALS
5. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
6. CERTIFICATION OF COPIES OF DOCUMENTS
7. INCUMBENCY AND OFFICIAL NAME, ETC.
8. MEETINGS; PUBLICATION AND POSTING OF NOTICES, ETC.
9. SIGNATURES AND DELIVERY
10. SPECIMEN BOND
11. PRIVATE USE OF FACILITIES
12. NO FEDERAL GUARANTY
13. IRS INFORMATION RETURN
14. CONFLICT OF INTEREST
15. EXECUTION OF COUNTERPARTS

We, the undersigned CHAIRMAN and the undersigned SECRETARY of the Public Service Board of Valley Falls Public Service District in Marion County, West Virginia (the "Issuer"), hereby certify on this the 22nd day of November, 2006, in connection with the \$322,000 aggregate principal amount Valley Falls Public Service District Water Refunding Revenue Bonds, Series 2006 A (the "Bonds"), as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined shall have the same meaning as in the Bond Resolution of the Issuer adopted November 21, 2006, and a Supplemental Resolution adopted November 21, 2006 (collectively, the "Bond Legislation").

2. AWARD OF BONDS: The Bonds have been duly awarded to JP Morgan Chase Bank, N.A., Charleston, West Virginia (the "Purchaser"), pursuant to a commitment letter dated September 8, 2006, from the Purchaser and the Bond Legislation.

3. NO LITIGATION: No controversy or litigation of any nature is now pending or threatened, restraining, enjoining or affecting in any manner the issuance, sale

or delivery of the Bond, the refunding of the GMAC Bonds, the operation of the System, nor in any way questioning or affecting the validity of the Bonds, or any proceedings of the Issuer taken with respect to the issuance or sale of the Bonds, the pledge or application of any moneys or security provided for the payment of the Bonds; nor questioning the existence or the powers of the Issuer insofar as they relate to the authorization, sale and issuance of the Bonds, the refunding of the GMAC Bond, the operation of the System, the pledge or application of any moneys or security provided for the payment of the Bonds; nor questioning the rates and charges provided for the services of the System.

4. **GOVERNMENTAL APPROVALS:** All applicable and necessary approvals, permits, authorizations, registrations, exemptions, consents and certificates required by law for the refunding of the GMAC Bonds, and the financing of the costs thereof, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Bonds have been obtained and remain in full force and effect. The Issuer has received the Commission Order of the Public Service Commission of West Virginia entered on October 25, 2006, in Case No. 05-0633-PWD-CN, approving and consenting to the issuance of the Bonds and the refunding of the GMAC Bonds. Such Order is in full force and effect.

5. **NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS:** There has been no adverse change in the financial condition of the Issuer since the offer by the Purchaser to purchase the Bonds.

Upon the refunding of the GMAC Bonds, there are no outstanding obligations of the Issuer which will rank on a parity with the Series 2006 A Bonds as to liens, pledge and source of and security for payment.

6. **CERTIFICATION OF COPIES OF DOCUMENTS:** The copies of the below-listed documents hereto attached or delivered herewith or heretofore delivered are true, correct and complete copies of the originals of the documents of which they purport to be copies, and such original documents are in full force and effect and have not been repealed, rescinded, amended or changed in any way unless modification appears from later documents also listed below:

Bond Resolution

Supplemental Resolution

County Commission Orders Creating District

County Commission Orders Appointing Current Board Members

Oaths of Office of Current Board Members

Rules of Procedure

Minutes of Organizational Meeting

Minutes on Adoption of Bond Resolution and Supplemental Resolution

Public Service Commission Order

Evidence of Receipt and Release of Holder of GMAC

Commitment Letter

7. INCUMBENCY AND OFFICIAL NAME, ETC.: The proper corporate title of the Issuer is "Valley Falls Public Service District" and its principal office and place of business are in Marion County, West Virginia. The Issuer is a public service district and public corporation and political subdivision of the State of West Virginia. The governing body of the Issuer is its Public Service Board consisting of three duly appointed, qualified and acting members, whose names and dates of commencement and termination of current terms of office are as follows:

<u>Name</u>	<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
James Quinn	July 9, 2004	July 1, 2010
John Paugh	March 19, 2004	July 1, 2008
Eugene Sapp	July 26, 2006	July 1, 2008

The names of the duly elected, appointed, qualified and acting officers of said Public Service Board of said Issuer for the meeting on November 21, 2006 were as follows:

Chairman - Eugene Sapp
Secretary - John Paugh

The duly appointed and acting Attorney for the Issuer for this bond issue is Steptoe & Johnson PLLC, Charleston, West Virginia.

8. MEETINGS; PUBLICATION AND POSTING OF NOTICES, ETC.: All actions, resolutions, orders and agreements taken by and entered into by or on behalf of the Issuer in any way connected with the acquisition, construction, operation and financing of the System and the issuance of the Bond were authorized or adopted at regular or special meetings of the Governing Body of the Issuer duly and regularly called and held pursuant to

the Rules of Procedure of the Governing Body and all applicable statutes, including Chapter 6, Article 9A, of the West Virginia Code of 1931, as amended, and a quorum of duly appointed, elected, qualified and acting members of the Governing Body was present and acting at all times during all such meetings. All notices required to be posted and/or published were so posted and/or published.

9. SIGNATURES AND DELIVERY: On the date hereof, the undersigned Chairman did officially sign the Bonds by his manual signature, and the undersigned Secretary did officially cause the official seal of the Issuer to be imprinted upon the Bonds and to be attested by his manual signature, and the Registrar did officially authenticate and deliver the Bonds to the Purchaser. Said official seal is also impressed above the signatures appearing on this certificate.

10. SPECIMEN BOND: Delivered concurrently herewith is a true and accurate specimen of the Bonds.

11. PRIVATE USE OF FACILITIES: The Issuer shall at all times take, and refrain from taking, and shall not fail to take, any and all actions necessary to assure the initial and continued tax-exempt status of the Bonds and the interest thereon. Less than 10% of the proceeds of the Bonds will be used, directly or indirectly, for any private business use, and less than 10% of the payment of principal of, or the interest on, such issue, under the terms of such issue or any underlying arrangement, is, directly or indirectly, secured by any interest in property used or to be used for a private business use, payments in respect of such property, or to be derived from payments (whether or not to the Issuer) in respect of property, or borrowed money, used or to be used for a private business use. None of the proceeds of the Bonds will be used, directly or indirectly, for any private business use which is not related to the governmental use of the proceeds of the Bonds, including the disproportionate related business use of the proceeds of the Bonds, and none of the payment of principal of, or the interest on, such issue, under the terms of such issue or any underlying arrangement, is, directly or indirectly, secured by any interest in property used or to be used for a private business use, payments in respect of such property, or to be derived from payments (whether or not to the Issuer) in respect of property, or borrowed money, used or to be used for a private business use with respect to such private business use, which is not related to any government use of such proceeds, including the disproportionate related business use of the issue of the Bonds. None of the proceeds of the issue of the Bonds will be used, directly or indirectly, to make or finance loans to persons other than governmental units. For purposes of this paragraph, private business use means use, directly or indirectly, in a trade or business carried on by any person, including related persons, other than a governmental unit and other than use as a member of the general public. All of the foregoing have been and shall be determined in accordance with and within the meaning of the Internal Revenue Code of 1986, as amended, including any successor provisions and rules and regulations thereunder (the "Code").

12. NO FEDERAL GUARANTY: The Bonds are not and will not be, in whole or part, directly or indirectly, federally guaranteed within the meaning of Section 149(b) of the Code.

13. IRS INFORMATION RETURN: On the date hereof, the undersigned Chairman did officially sign a properly completed IRS Form 8038-G and will cause such executed Form 8038-G to be filed in a timely manner with the Internal Revenue Service Center, Ogden, Utah.

14. CONFLICT OF INTEREST: No officer or employee of the Issuer has a substantial financial interest, directly, indirectly or by reason of ownership of stock in any corporation, in any contract with the Issuer or in the sale of any land, materials, supplies or services to the Issuer or to any contractor supplying the Issuer, relating to the Bonds, the Bond Legislation, including, without limitation, with respect to the Purchaser. For purposes of this paragraph, a "substantial financial interest" shall include, without limitation, an interest amounting to more than 5% of the particular business enterprise or contract.

15. EXECUTION OF COUNTERPARTS: This document may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same document.

WITNESS our signatures and the official seal of VALLEY FALLS PUBLIC SERVICE DISTRICT on the day and year first written above.

[CORPORATE SEAL]

SIGNATURE

OFFICIAL TITLE

Eugene M. Sapp

Chairman

John D. Lauff

Secretary

11.15.06
928790.00001

VALLEY FALLS PUBLIC SERVICE DISTRICT

Water Refunding Revenue Bonds, Series 2006 A

CERTIFICATE AS TO ARBITRAGE

The undersigned duly authorized Chairman of the Public Service Board of Valley Falls Public Service District, in Marion County, West Virginia (the "Issuer"), being one of the officials of the Issuer duly charged with the responsibility for issuing the above-captioned Bonds (the "Bonds") of the Issuer, and acting for the Issuer and its name, hereby certifies the following expectations of the Issuer with regard to the Bonds and use of the proceeds thereof, all capitalized terms used herein and not otherwise defined herein to have the meanings ascribed thereto in the Bond Resolution duly adopted by the Issuer on November 21, 2006, as supplemented by a Supplemental Resolution adopted November 21, 2006 (collectively, the "Bond Legislation").

This certificate is being executed and delivered pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, and the temporary and permanent regulations promulgated thereunder or any predecessor thereto (collectively, the "Code"). I am one of the officers of the Issuer charged with the responsibility of issuing the Bonds. I am familiar with the facts, circumstances, and estimates herein certified and am duly authorized to execute and deliver this certificate on behalf of the Issuer.

1. This certificate may be relied upon as the certificate of the Issuer.
2. The Issuer has not been notified by the Internal Revenue Service of any listing or proposed listing of it as an issuer that may not certify its obligations or the certification of which may not be relied upon by holders of obligations of the Issuer or that there is any disqualification of the Issuer by the Internal Revenue Service because a certification made by the Issuer contains a material misrepresentation.
3. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on November 22, 2006, the date on which the Bonds are to be physically delivered in exchange for the purchase price thereof, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.
4. In the Bond Legislation pursuant to which the Bonds are issued, the Issuer has covenanted to not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Bonds which would cause the Bonds to be an "arbitrage bonds" within the meaning of Section 148 of the Code. The Issuer has, therefore, covenanted to not intentionally use any portion of the proceeds of the Bonds to acquire higher yielding investments or to replace funds which were used directly or indirectly to acquire higher yielding investments, except as otherwise allowed under Section 148 of the Code.

The Issuer, in the Bond Legislation, has further covenanted that it will take all actions that may be required of it so that the interest on the Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

5. The Bonds were sold on November 22, 2006, to JP Morgan Chase Bank, N.A., Charleston, West Virginia (the "Purchaser"), for a purchase price of \$322,000 (100% of par), there being no interest accrued thereon.

6. The Bonds are being delivered simultaneously with the delivery of this certificate and will be used by the Issuer on the date hereof as contemplated by the Bond Legislation and related documents for the purposes of (i) to refund the Issuer's Water Revenue Bonds, Series 1976 (GMAC), and (ii) to pay costs of issuance and related costs.

7. The face amount of the Bonds is \$322,000. The sources and uses of proceeds of the Bonds in connection with the refunding of the GMAC Bonds is as follows:

Sources

Par amount of Bonds	\$322,000.00
Total Sources	<u>\$322,000.00</u>

Uses

Pay off GMAC Bonds	\$316,247.16
Costs of Issuance	<u>\$5,752.84</u>
Total Uses	<u>\$322,000.00</u>

8. Principal of and interest on the Bonds are payable monthly directly to the Purchaser. No sinking fund is created to pay debt service on the bonds.

9. The Series 2006 A Bonds Reserve Account is created under the Bond Legislation. The Issuer has either (a) funded the Series 2006 A Bonds Reserve Account at the maximum amount of principal and interest which will mature and become due on the Bonds in the then current or any succeeding year with the proceeds of the Bonds, or (b) created the Series 2006 A Bonds Reserve Account which will be funded with equal payments made on a monthly basis over a 10-year period until such Series 2006 A Bonds Reserve Account holds an amount equal to the maximum amount of principal and interest which will mature and become due on the Bonds in the then current or any succeeding year. Monies in the Series 2006 A Bonds Reserve Account will be used solely to pay principal of and interest on the Bonds.

10. The amount in the Series 2006 A Reserve Fund will be equal to 10% of the stated principal amount of the Bonds, and is not in excess of the maximum annual principal and interest requirements of the Bonds or 125% of the average annual principal and interest requirements of the Bonds. The monies in the Series 2006 A Bonds Reserve Account will be invested without restriction as to yield. All earnings on amounts deposited in the Series 2006 A Bonds Reserve Account will, to the extent the yield thereon exceeds the yield on the Bonds, be subject to rebate. All investment earnings on monies in the Series 2006 A Bonds Reserve Account will be withdrawn therefrom, not less than once each year, and deposited into the Revenue Fund, and such amounts will be applied as set forth in the Bond Legislation. Except for the Series 2006 A Bonds Reserve Account, there are no other funds or accounts established or held by the Issuer which are reasonably expected to be used to pay debt service on the Bonds, or which are pledged as collateral for the Bonds and for which there is a reasonable assurance that amounts therein will be available to pay debt service on the Bonds, if the Issuer encounters financial difficulties. Except as provided herein, no funds which have been or will be used to acquire directly or indirectly securities, obligations, annuity contracts, investment-type property or any residential real property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved desegregation plan or other investment property producing a yield in excess of the yield on the Bonds, have been or will be pledged to payment of the Bonds. The establishment of the Series 2006 A Bonds Reserve Account is required by the Purchaser, is vital to the purchase of the Bonds, and is reasonably required to assure payments of debt service on the Bonds.

11. Proceeds of the Bonds in the amount of \$5,752.84 will be used to pay costs of issuance of the Bonds. All such amounts will be fully expended on the date hereof.

12. Other than the funds and accounts described above, there are no other funds or accounts of the Issuer which (i) are reasonably expected to be used to pay debt service on the Bonds or which are pledged as collateral to secure repayment of debt service on the Bonds and (ii) for which there is a reasonable assurance that amounts therein will be available to pay debt service on the Bonds.

13. No more than 10% of the proceeds of the Bonds will be used (directly or indirectly) in any trade or business carried on by, and less than 5% of the proceeds of the Bonds or \$5,000,000 have been or will be used to make or finance loans to, any person who is not a governmental unit.

14. The original proceeds of the Bonds will not exceed the amount necessary for the purpose of the issue.

15. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from treatment afforded by Section 103(a) of the Code by reason of classification of the Bonds as a "private activity bond" within the meaning

of the Code. The Issuer will take all actions necessary to comply with the Code and the Treasury Regulations promulgated or to be promulgated thereunder.

16. The Bonds are not, and will not be, in whole or part, directly or indirectly, federally guaranteed within the meaning of Section 149(b) of the Code.

17. The Issuer shall file Form 8038-G in a timely fashion with the Internal Revenue Service, Ogden, Utah 84201.

18. No portion of the proceeds of the Bonds will be used directly or indirectly to replace funds of the Issuer or other related governmental agency that have been used directly or indirectly to acquire securities or obligations which may reasonably be expected, on the date hereof, to produce a yield materially higher than the yield on the Bonds.

19. In connection with the Bonds, there has not been created or established, and the Issuer does not expect that there will be created or established, any sinking fund, pledged fund or similar fund (other than as specifically identified in this certificate), including without limitation any arrangement under which money, securities, or obligations are pledged directly or indirectly to secure the Bonds or any contract securing the Bonds or any arrangement providing for compensating or minimum balances to be maintained by the Issuer or related governmental agencies with any registered owner of the Bonds.

20. The Bonds are not and will not be part of a transaction or series of transactions that (i) attempt to circumvent the provisions of Section 148 of the Code, or any successor thereto, and the Regulations promulgated thereunder which enable the Issuer to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage or (ii) increase the burden on the market for tax-exempt obligations in any manner, including, without limitation, by selling obligations that would not otherwise be sold or selling a larger amount of obligations, or issuing them sooner, or allowing them to remain outstanding longer, than would otherwise be necessary.

21. No other obligations are being issued by the Issuer or any related entity at substantially the same time and sold pursuant to a common plan of financing and which will be paid out of substantially the same source of funds (or which will have substantially the same claim to be paid out of substantially the same source of funds) as the Bonds or which will be paid directly or indirectly from proceeds of the sale of the Bonds.

22. The issuance of the Bonds will not involve the use of a "device" or an "abusive transaction" within the meaning of Section 149(d)(4) of the Code and the Regulations thereunder.

23. The Issuer covenants to comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be and continue to be excludable from gross income for federal income tax purposes.

24. The Issuer will rebate to the United States the amount, if any, required by the Code and to take all steps necessary to make such rebates. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and other amounts from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, and take all other actions required of it in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes.

25. The Issuer has retained the right to amend the Bond Legislation authorizing the issuance of the Bonds if such amendment is necessary to assure compliance with Section 148(f) of the Code or as may otherwise be necessary to assure the exclusion of interest on the Bonds from the gross income of the holders thereof.

26. The Issuer shall comply with all yield restrictions on the proceeds of the Bonds as set forth in the Code.

27. The Issuer covenants and agrees to comply with the rebate requirements of the Code if not exempted therefrom, and with all other requirements of the Code necessary, proper or desirable to maintain the tax-exempt status of the Bonds and the interest thereon. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of the Bond Legislation.

28. The Issuer hereby designates the Bonds for purposes of Section 265(b)(3)(B) of the Code and covenants that the Bonds does not constitute private activity bonds as defined in Section 141 of the Code, and that not more than \$10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income tax purposes (excluding, however, private activity bonds, as defined in Section 141 of the Code, other than qualified 501(c)(3) bonds as defined in Section 145 of the Code), including the Bonds, have been or shall be issued by the Issuer, including all subordinate entities of the Issuer, during the calendar year 2006.

29. On the basis of the foregoing, it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

30. To the best of my knowledge, information and belief, there are no other facts, estimates and circumstances which would materially change the expectations herein expressed.

31. Steptoe & Johnson PLLC is entitled to rely upon the representations, expectations, covenants, certifications and statements contained herein in rendering its opinions regarding the tax-exempt status of interest on the Bond.

32. To the best of my knowledge, information and belief, the foregoing expectations are reasonable.

IN WITNESS WHEREOF, I have set my hand this 22nd day of
November, 2006.


Chairman

11.15.06
928790.00001

GARY K. BENNETT

Certified Public Accountant

317 Cleveland Avenue
Fairmont, WV 26554
Telephone: (304) 366-4295
Fax: (304) 366-4311

November 22, 2006

Valley Falls Public Service District
Water Refunding Revenue Bonds, Series 2006 A

Valley Falls Public Service District
Fairmont, West Virginia

JP Morgan Chase Bank, N.A.
Charleston, West Virginia

Ladies and Gentleman:

Based upon the water rates and charges set forth in the Commission Order of the Public Service Commission of West Virginia, which became final on August 23, 2005, in Case No. 05-0633-PWD-CN, and projected operation and maintenance expenses and anticipated customer usage as furnished to me by Valley Falls Public Service District (the Issuer), it is my opinion that such rates and charges will be sufficient to provide Revenues in each Fiscal Year sufficient to produce Net Revenues equal to not less than 115% of the annual debt service on the Water Refunding Bonds, Series 2006 A (JP Morgan Chase Bank, N.A.) (the Series 2006 A Bonds), and sufficient to make the payments into the Series 2006 A Bonds Reserve Account and the Renewal and Replacement Fund and all the necessary expenses of operating and maintaining the System during such Fiscal Year.

Very truly yours,



Gary K. Bennett
Certified Public Accountant

IN THE COUNTY COURT OF MARION COUNTY, WEST VIRGINIA

IN RE: ORDER CREATING PUBLIC SERVICE DISTRICT FOR WATER SUPPLY SERVICES TO BE CALLED VALLEY FALLS PUBLIC SERVICE DISTRICT

On this 19th day of December, 1962, came a Committee composed of John R. P. Smith, Earl L. Carpenter and Milford J. McVicker and various other interested persons, and Roderick A. Devison their Attorney ~~xxxxxx~~ and this Proceeding came on to be heard.

Thereupon, upon the petitions and the motion for the creation of a public service district for water services as provided for in Article 13-A of Chapter 16 of the Code of the State of West Virginia heretofore filed, the said Committee, by Counsel, informed the Court that there are no incorporated towns or cities lying within the boundaries of the said proposed Public Service District and moved the Court for the creation of a Public Service District situate in Union and Winfield Districts, Marion County, West Virginia, which area is more particularly bounded and described as follows:

Beginning at a point in the Tygart's Valley River at the South Eastern end of Poplar Island, thence N. 38° 30' E. 8.5 miles to the Monongalia County line at the intersection of Laurel Run and White Day Creek; thence with the Monongalia County line to its intersection with the Taylor County line; thence with the Taylor County line to the Tygart Valley River; thence with the Tygart Valley River to the place of beginning, as outlined in red on petition heretofore filed in this cause.

And now came the said Committee, and directed the Court's attention to their motion in writing, for an order of the Court appointing three capable and discreet persons as Board Members to take charge of the operation of the proposed Public Service District, and conduct and manage the same in the manner provided by law, and moved for a hearing on said motion. Whereupon the Court heard further evidence adduced by petitioners, by witnesses who were first duly sworn, according to law.

Upon consideration whereof the Court is of opinion that the petition heretofore filed contains the names of 220 property owners and legal voters and residents of the proposed District, and that the said Public Service District for water services in said above described area should be created. It is therefore ORDERED, ADJUDGED AND DECREED that the said Public Service District be and the same is hereby created. It is further ordered that the name of the said District be called VALLEY FALLS PUBLIC SERVICE DISTRICT.

It is further ordered and adjudged and decreed that John R. P. Smith, Earl L. Carpenter and Milford J. McVicker be and the same are hereby appointed Board Members with terms as follows: 6 years, 4 years and 2 years respectively, the terms to run from the date hereof. It is further ordered that the said Board Members are to take charge of the said Public Service District and to conduct and manage the same in the manner provided by law.

All of which is accordingly ordered and adjudged.

Entered this 19th day of December, 1962.

H. D. MARTIN

CLYDE J. WRIGHT

JOHN L. GILL

County Commissioners of
Marion County, W. Va.

Marion County Commission

Office of the Commissioners:
200 Jackson Street • Room 403 • Fairmont, West Virginia 26554 • (304) 367-5400 • Fax (304) 367-5431



July 26, 2006

Mr. Eugene M. Sapp
1097 Levels Road
Fairmont, WV 26554

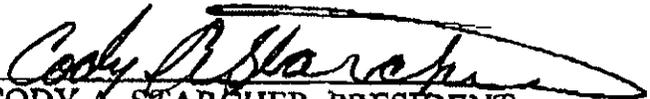
Dear Mr. Sapp:

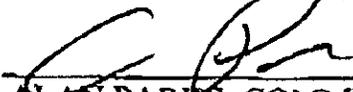
The Marion County Commission in regular session on July 26, 2006, appointed you to serve as a member of the Valley Falls Public Service District. Your term will expire July 1, 2008.

The Commission is pleased you have accepted this responsibility to provide service to all the residents of Marion County.

We extend to you our best wishes and full cooperation for a successful tenure.

MARION COUNTY COMMISSION


CODY A. STARCHER, PRESIDENT


ALAN PARKS, COMMISSIONER


RANDY ELLIOTT, COMMISSIONER

**MARION COUNTY COMMISSION
COUNTY COURT
NOVEMBER 22, 2000**

The Marion County Commission sat in regular session, pursuant to its adjournment on Friday, November 17, 2000. Present were President Cody Starcher and Commissioner James Sago, two of the Commissioners of said County Commission.

The proceedings of Friday, November 17, 2000, together with those had and done under the supervision of Janice Cosco, Clerk and Recorder of the Marion County Commission, on Monday, November 20, and Tuesday, November 21, 2000, were read in Open Court, approved and signed.

President Starcher called the meeting to order. The minutes of Friday, November 17, 2000, were read and approved as read.

James P. Priester, Assessor of Marion County, has requested from the County Commission permission to purchase a new printer. It was recommended by the Systems Analyst to purchase an Epson 900 Stylus color printer at \$219.00. This will be charged to the General Fund, Data Processing Equipment Line.

Commissioner Sago moved that pursuant to the request of James Priester, Assessor, the County Commission purchase an Epson 900 Stylus color printer at the cost of \$219.00 to be charged to the General Fund, Data Processing Equipment Line. President Starcher seconded. The motion carried.

The Board of the Marion County Senior Center, Inc. has signed a Memorandum of Understanding between the Marion County Senior Center, Inc. and the Marion County Commission Small Cities Block Grant. The Resolution that the Commission would pass would authorize the Commission President to sign the Memorandum of Understanding. The Marion County Commission is in receipt of a Small Cities Block Grant to assist in the funding of a Senior Citizens Center in the Mannington area of Marion County.

MARION COUNTY COMMISSION
PAGE 2

Marion County Commission

CODY A. STARCHER
Commissioner and President

JAMES E. SAGO
Commissioner

CECILY M. ENOS
Commissioner

SHARON J. SHAFFER
County Administrator



Address Correspondence to:
200 JACKSON STREET
FAIRMONT, WEST VIRGINIA 26554
(304) 367-5400
FAX (304) 367-5431

RESOLUTION

WHEREAS, the Marion County Commission is in receipt of a Small Cities Block Grant to assist in the funding of a Senior Citizens Center in the Mannington area of Marion County; and

WHEREAS, it is in the best interest of the Marion County Commission and the Marion County Senior Citizens, Inc. to enter into a written agreement with one another for joint and cooperative action pursuant to the terms and conditions provided by law for the completion of the Senior Citizens Center in the Mannington area of Marion County; and

NOW, THEREFORE, BE IT RESOLVED, that the Marion County Commission authorizes the signing of the Memorandum of Understanding with the Marion County Senior Citizens, Inc.; and

FURTHER BE IT RESOLVED that the Marion County Commission authorizes its President, Cody A. Starcher, to sign said Memorandum of Understanding.

ADOPTED by the Marion County Commission at its regular meeting this 22nd day of November 2000.

MARION COUNTY COMMISSION

Cody A. Starcher
CODY A. STARCHER, PRESIDENT

James E. Sago
JAMES E. SAGO, COMMISSIONER

Cecily M. Enos
CECILY M. ENOS, COMMISSIONER

ATTEST:

Janice Cosco
JANICE COSCO, COUNTY CLERK

Commissioner Sago moved that the County Commission approve the Resolution. President Starcher seconded. The motion carried.

The County Commission has announced a vacancy on the Valley Falls Public Service District. The County Commission has received five applications: James Stewart, Virgil Smith, Richard Ice, Shawn Metz, and Eugene Sapp. President Starcher stated that Mr. Sapp has served for four years which was not a full term.

President Starcher moved that the County Commission reappoint Eugene Sapp to the Valley Falls Public Service District for a six-year term. His

MARION COUNTY COMMISSION
PAGE 3

term will expire July 1, 2006. Commissioner Sago seconded. The motion carried.

The Marion County Commission would like to offer their complete support to Susan Woods Coffindaffer, Chair, Teen Court Advisory Committee, in the endeavor to implement a teen court program in Marion County. Both Commissioner Sago and President Starcher believe that this program has been implemented in Monongalia County quite successfully. This program diverts teenagers out of the normal criminal process and it saves taxpayers money.

Marion County Commission

CODY A. STARCHER
Commissioner and President

JAMES E. SAGO
Commissioner

CECILY M. ENOS
Commissioner

SHARON J. SHAFFER
County Administrator



Address Correspondence to:
200 JACKSON STREET
FAIRMONT, WEST VIRGINIA 26554
(304) 367-5400
FAX (304) 367-5431

November 17, 2000

Susan Woods Coffindaffer, Chair
Teen Court Advisory Committee
1000 Technology Drive, Suite 2310
Fairmont, West Virginia 26554

RE: Teen Court Program for Marion County, West Virginia

Dear Ms Coffindaffer:

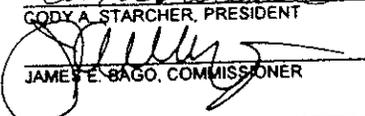
We, the Marion County Commission, would like to offer our complete support in your endeavor to implement a teen court program in Marion County.

It is our understanding that the teen court program is an alternative to filing of a formal petition and disposition proceeding at the Circuit Court level. We feel that early intervention and prevention will educate youth on the impact of their actions. Teen court builds competence in youth by providing instruction on how the legal system functions and how to communicate and resolve problems with peers more effectively and provide a forum for youth to practice and develop newly developed competencies.

We understand that West Virginia Code §49-5-13d permits the Circuit Court to administer such a program, and we would like to reiterate our willingness to support this important project.

THE MARION COUNTY COMMISSION


CODY A. STARCHER, PRESIDENT


JAMES E. SAGO, COMMISSIONER

CECILY M. ENOS, COMMISSIONER

Commissioner Sago moved that the County Commission sign the letter concerning the Teen Court Program for Marion County. President Starcher seconded. The motion carried.

MARION COUNTY COMMISSION
PAGE 4

Attorney, Kevin Sansalone, is present before the County Commission with an order in regard to the Sallyfield Estates, Inc. annexation proposal. The order will provide the annexation of the 19.898 acres known as Sallyfield Estates, Inc. into the City of Fairmont.

Commissioner Sago moved that the County Commission sign the order. President Starcher seconded. The motion carried.

There being no further business to come before the County Commission, it is ordered that this Commission do now recess until Tuesday, November 21, 2000, at 7:00 p.m.


President

Marion County Commission

JAMES E. SAGO
Commissioner and President

CODY A. STARCHER
Commissioner

ALAN L. PARKS
Commissioner

SHARON JONES SHAFFER
County Administrator



Address Correspondence to:

200 JACKSON STREET • ROOM 403
FAIRMONT, WEST VIRGINIA 26554
(304) 367-5400
FAX (304) 367-5431

July 9, 2004

Mr. James Kevin Quinn
Rt. 6, Box 326-D
Fairmont, WV 26554

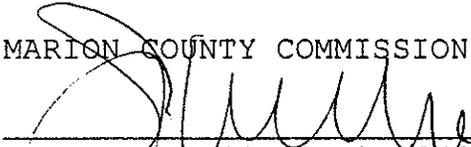
Dear Mr. Quinn:

The Marion County Commission in regular session on July 9, 2004, appointed you to the Valley Falls Public Service District. Your term will expire on July 1, 2010.

The Commission is pleased you have accepted this responsibility to provide service to all the residents of Marion County. Please stop by the County Clerk's Office to be sworn in.

We extend to you our best wishes and full cooperation for a successful tenure.

MARION COUNTY COMMISSION



JAMES E. SAGO, PRESIDENT



CODY A. STARCHER, COMMISSIONER



ALAN L. PARKS, COMMISSIONER

MCC/sad

CC: County Clerk
Valley Falls PSD

**MARION COUNTY COMMISSION
COUNTY COURT
July 9, 2004**

The Marion County Commission sat in regular session pursuant to its adjournment on Wednesday, July 7, 2004. Present were President James Sago, Commissioner Cody Starcher, and Commissioner Alan Parks, all of the Commissioners of said County Commission.

The proceedings of Friday, July 2, and Wednesday, July 7, 2004, together with those had and done under the supervision of Janice Cosco, Clerk and Recorder of the Marion County Commission, on Tuesday, July 6, and Thursday, July 8, 2004, were read in Open Court, approved and signed.

President Sago called the meeting to order. The minutes of Friday, July 2, and Wednesday, July 7, 2004, were read and approved as read.

Let the record note, James Priester, Assessor, presented to the County Commission the following Exoneration's for approval:

**Nos. 12,333 through 12,430
Dated July 7, 2004**

Pursuant to the recommendation of James Priester, Assessor, and approval of Susan Riffle, Prosecuting Attorney, Commissioner Starcher moved the President be authorized to sign Exoneration nos. 12,333 through 12,430. Commissioner Parks seconded. President Sago concurred.

For the record, Circuit Clerk Barbara Core has presented to the County Commission, pursuant to West Virginia Code 59-1-37, an interest bearing account that has earned \$600.02 from June 2003 through May 2004. Ms. Core will continue to deposit the Circuit Clerk's monies into an interest bearing account. To date, the amount that has been turned over to the General County Fund is \$48,266.24.

Lisa Campbell, Director of the Marion County Purchasing Division, was present before the County Commission with a quote for carpet in the County Clerk's Bookkeeping Department. This request is due to the existing carpet being cut and temporally removed for the Marion County Courthouse Plumbing & Electrical Restoration Project.

<i>East Side Floor & Wall Fairmont, WV</i>	<i>Refused to Quote</i>
<i>Wholesale Carpet Fairmont, WV</i>	<i>\$1,344.00</i>
<i>Custom Carpet Fairmont, WV</i>	<i>Refused to Quote</i>

MARION COUNTY COMMISSION**Page 2**

Mrs. Campbell is requesting Wholesale Carpet at a cost of \$1,344.00 installed with assistance. Funding for this request will be through the Building Fund Courthouse Building Repair Line (022-424-215-00).

Commissioner Starcher moved the County Commission purchase carpet from Wholesale Carpet for the Bookkeeping Department at a cost of \$1,344.00 installed with assistance. Funding for this request will be through the Building Fund Courthouse Building Repair Line (022-424-215-00). Commissioner Parks seconded. President Sago concurred.

For the record, July allocations for the Marion County Commission Central Fuel Facility was purchased on July 2, 2004, from low bid Bruceton Petroleum Co., Inc. at \$1.6135 cents per gallon for a total cost of \$4,840.50 including tax.

Chris McIntire, Assistant Director of the Marion County Central Communications, was present before the County Commission to request permission from the County Commission to move forward on the purchase of a 133.8 foot self supporting tower constructed in 1995, a 12' x 20' masonry building, 15 kilowatt generator and three acres of land. Mr. Richard Ellis has advised Mr. McIntire that a short-term lease will be provided for the tower until the purchase contract has been completed. Verizon is requiring \$12,000.00 down and the remaining \$108,000.00 upon execution of the contract.

Commissioner Starcher moved the County Commission allocate \$12,000.00 toward the purchase of a 133.8 foot self supporting tower from Verizon for the Marion County Central Communications contingent on the contract being approved by County Attorney Fran Whiteman. Funding for this request will be through the Emergency Communications 911 Fund. Commissioner Parks seconded. President Sago concurred.

The County Commission has received a letter from the Department of Military Affairs and Public Safety Office of Emergency Services an acknowledged receipt and acceptance of the Fiscal Year 2004 Department of Homeland Security Grants. The County Commission has received four grants, which require the signature of the Commission President. The first grant is for the Law Enforcement Terrorism Prevention Program in the amount of \$254,950.00, Homeland Security Planner Program in the amount of \$50,000.00, Citizen Corps Grant Program in the amount of \$10,000.00, and the Emergency Operations Center Program in the amount of \$30,000.00.

Commissioner Starcher moved the Commission President be authorized to sign the grant documents acknowledging acceptance of the award and the conditions for the FY2004 Department of Homeland Security Grants. Commissioner Parks seconded. President Sago concurred.

MARION COUNTY COMMISSION

Page 3

The County Commission has received a Court Security Fund Grant from the Division of Criminal Justice Services in the amount of \$40,000.00. A Resolution has been prepared authorizing the Commission President to enter into a contractual agreement with the Division of Criminal Justice Services to receive and administer grant funds pursuant to the provisions of the Court Security Fund Grant Program and requires the signatures of the County Commission. The Grant Contract Agreement requires the signature of the Commission President.

Commissioner Parks moved the County Commission table this matter until a later date. Commissioner Starcher seconded. President Sago concurred.

The County Commission has received Contract Addendum #2 for the Meredith Springs/Dakota Camp Sanitary Sewer Project from Greenhorne & O'Mara, Inc. The scope of services and fee is hereby revised to perform additional work during the project inspection phase of the contract. This will include the project management and scheduling of the lateral inspections for each of the 110 customers. The Dakota/Meredith Springs Sanitary Sewer Extension Contract Addendum #2 requires the signature of the Commission President.

Commissioner Starcher moved the Commission President be authorized to sign the Contract Addendum #2. Commissioner Parks seconded. President Sago concurred.

The County Commission has also received Change Order #3 Project No. 00SCBG0038X for the Meredith Springs and Dakota Camp Sanitary Sewer System from Jayhawk Construction, Inc. The original contract price was \$999,530.00 and, due to the change order, will be increased by \$24,306.75. The Change Order requires the signature of the Commission President.

Commissioner Starcher moved the Commission President be authorized to sign Change Order #3 for the Meredith Springs and Dakota Camp Sanitary Sewer System. Commissioner Parks seconded. President Sago concurred.

The Certificate of Substantial Completion for the Meredith Springs/Dakota Camp Sanitary Sewer System between the Marion County Commission, the City of Fairmont, and Jayhawk Construction, Inc. states the date of substantial completion of the project or specified part of the project is June 1, 2004. The work to which this certificate applies has been inspected by authorized representatives of the owner, contractor, and engineer and declared to be substantially completed. The certificate requires the signature of the Commissioner President.

Commissioner Starcher moved the Commission President be authorized to sign the Certificate of Substantial Completion. Commissioner Parks seconded. President Sago concurred.

MARION COUNTY COMMISSION**Page 4**

The County Commission has taken applications for a thirty-day period for a term that has expired on the Valley Falls Public Service District. Two applications have been received for the new term that will expire July 1, 2010.

Commissioner Starcher moved the County Commission appoint James Quinn to the Valley Falls Public Service District for the new term that will expire July 1, 2010. Commissioner Parks seconded. President Sago concurred.

Karen Gribben, President of the League of Women Voters of Marion County, was present along with other members of the Marion County Chapter to make comments on the voting procedures in Marion County.

Marion County League of Women Voters
326 Cole Street
Fairmont, West Virginia
July 9, 2004

Marion County Commission
Marion County Court House
Fairmont, West Virginia

Gentlemen:

The Marion County Chapter of the League of Women Voters appears before you so we might comment on the voting procedures in Marion County. We have no doubt that this Commission wants a voting system which will ensure integrity and voter confidence in our elections.

We understand this Commission is considering the use of electronic voting machines that would be installed throughout Marion County at our polling places for the November 2004 elections.

The Marion County Chapter of the League of Women Voters urges the Commission to determine that any voting system and equipment used in Marion County be one that is secure, accurate, re-countable and accessible. Our emphasis is on a system that would lend itself to re-counting.

This League supports the WV Secretary of State who has recommended that a voter-verified paper ballot be a system requirement. It should be noted that a paper back-up feature is essential for recovering voters' intents if a recount is necessary. Such a feature is key to maintaining public confidence in our voting system.

If the County Commission can not, at this point, assure the that Marion County will have an electronic system which is secure, accurate, re-countable we suggest that the use of the paper ballots be continued until this criteria can be achieved.

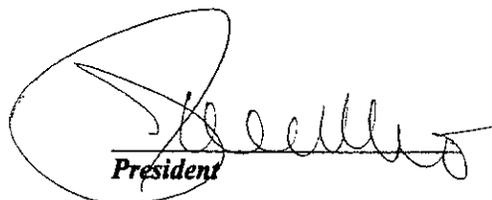
When Marion County adopts electronic voting machines they should be ones that will produce an audit able paper trail. There is no re-countable system without a paper printout. There is no re-countable system without a voter-verified paper ballot.

In brief, we advise, if the proper electronic voting equipment is not available, it would be better to follow the 'old paper ballot system' one more time.

Gentlemen, thank you for allowing us to present these views. Thank you for your attention to this matter.

Karen S. Gribben, President

There being no further business to come before the County Commission, it is ordered this Commission do now recess until Wednesday, July 14, 2004, at 10:00 a.m.


President

Marion County Commission

JAMES E. SAGO
Commissioner and President

CODY A. STARCHER
Commissioner

ALAN L. PARKS
Commissioner

SHARON JONES SHAFFER
County Administrator



Address Correspondence to:

200 JACKSON STREET • ROOM 403
FAIRMONT, WEST VIRGINIA 26554
(304) 367-5400
FAX (304) 367-5431

March 19, 2004

Mr. John David Paugh
Rt. 6, Box 177
Fairmont, WV 26554

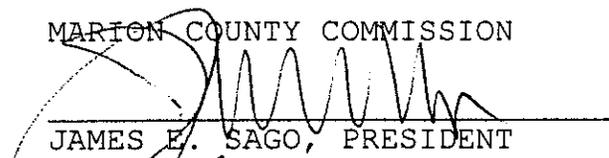
Dear Mr. Paugh:

The Marion County Commission in regular session on March 19, 2004, appointed you to the Valley Falls Public Service District to replace Virgil Lee Smith, who resigned. Your term will expire on July 1, 2008.

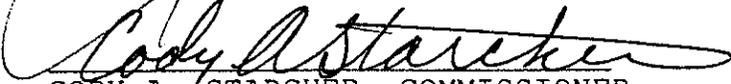
The Commission is pleased you have accepted this responsibility to provide service to all the residents of Marion County. Please stop by the County Clerk's Office to be sworn in.

We extend to you our best wishes and full cooperation for a successful tenure.

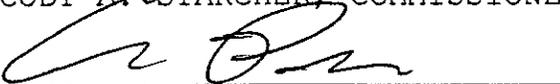
MARION COUNTY COMMISSION



JAMES E. SAGO, PRESIDENT



CODY A. STARCHER, COMMISSIONER



ALAN L. PARKS, COMMISSIONER

MCC/sad

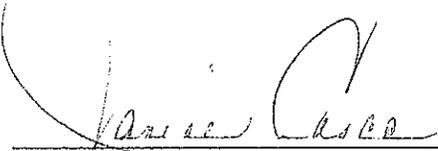
CC: County Clerk
Valley Falls PSD

STATE OF WEST VIRGINIA,

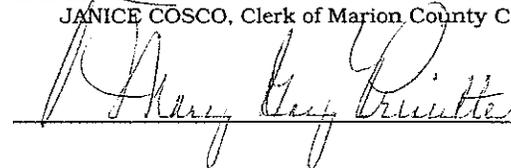
COUNTY OF MARION, TO-WIT:

I, JANICE COSCO, CLERK AND RECORDER of the County Commission of Marion County, in the State of West Virginia, do hereby certify that the foregoing writing is a true and accurate copy as appears of record in my office in Police & Fiscal _____ Book No. 61 at Page 020 of said record.

Given under my hand and Seal of said Office this 12th day of April, 2006.



JANICE COSCO, Clerk of Marion County Commission



Deputy
Clerk

**MARION COUNTY COMMISSION
COUNTY COURT
March 19, 2004**

The Marion County Commission sat in regular session pursuant to its adjournment on Wednesday, March 17, 2004. Present were President James Sago, Commissioner Cody Starcher, and Commissioner Alan Parks, all of the Commissioners of said County Commission.

The proceedings of Wednesday, March 17, 2004, together with those had and done under the supervision of Janice Cosco, Clerk and Recorder of the Marion County Commission, on Thursday, March 18, 2004, were read in Open Court, approved and signed.

President Sago called the meeting to order. The minutes of Wednesday, March 17, 2004, were read and approved as read.

Let the record note, James Priester, Assessor, presented to the County Commission the following Exoneration's for approval:

**Nos. 12,122 through 12,138
Dated March 17, 2004**

Pursuant to the recommendation of James Priester, Assessor, and approval of Susan Riffle, Prosecuting Attorney, Commissioner Starcher moved the President be authorized to sign Exoneration nos. 12,122 through 12,138. Commissioner Parks seconded. President Sago concurred.

Circuit Clerk Barbara Core was present before the County Commission with the recommendation of the Emergency Absentee Voting Ballot Commissioners for the Primary Election. Ms. Core will need two sets of Commissioners, each consisting of one Democrat and one Republican. The names being submitted are Leslie Donaldson, Yolanda Napple, Lea Kisner, and Wayne Stutler. Each person will be compensated for expenses in the same manner as Commissioners of Election for each appearance they make.

Commissioner Starcher moved the County Commission appoint Leslie Donald, Yolanda Napple, Lea Kisner, and Wayne Stutler as the Emergency Absentee Voting Ballot Commissioners for the Primary Election. Commissioner Parks seconded. President Sago concurred.

The Marion County Democratic Executive Committee and the Marion County Republican Executive Committee submitted a partial list of Election Officials to work in the precincts for the Primary Election to be held May 11, 2004.

Commissioner Starcher moved the County Commission approve the partial list of Democratic and Republican poll workers for the Primary Election and also the list that was previously received. Commissioner Parks seconded. President Sago concurred.

MARION COUNTY COMMISSION**Page 2**

A Class II Legal Advertisement has been prepared for the Sealed Bid Proposals for the 190' Self Supporting (911) Communications Tower. The advertisement will appear in the Times West Virginian on Wednesday, March 24, and Wednesday, March 31, 2004, and requires the signature of the Commission President.

Commissioner Starcher moved the Commission President be authorized to sign the Class II Legal Advertisement. Commissioner Parks seconded. President Sago concurred.

The County Commission has received a request from Carolyn Ledsome, Director of the Marion County Central Communications, to hire a part-time dispatcher at the Central Communications. Ms. Ledsome would like the County Commission to consider hiring Edward Queen at a starting salary of \$6.50 per hour without benefits and a start date of March 22, 2004. A reference and criminal history check has been completed with satisfactory results.

Commissioner Starcher moved to lay this over until a later day. Commissioner Parks seconded. President Sago concurred.

Richard Walton, County Planner, has forwarded a Payment Requisition Form Invoice Number 4 from the City of Fairmont for the Dakota/Meredith Springs Sewerage Project in the amount of \$75,007.00. All the construction money has been expended out of the Small Cities Block Grant and this will be a draw down from the Sanitary Sewer System money. The period covered by this request is from February 14, to March 13, 2004, and requires the signature of the Commission President.

Commissioner Starcher moved the Commission President be authorized to sign the Payment Requisition Form Invoice Number 4 for the Dakota/Meredith Springs Sewerage Project. Commissioner Parks seconded. President Sago concurred.

The County Commission has received the Governor's Community Partnership Grant Program Financial Report Request for Payment Project Number 02CPGP003 for the Marion County Parks & Recreation Soccer Pavilion Project in the amount of \$2,305.32. The period covered by this document is from February 10, to February 20, 2004. The Financial Report Request for Payment requires the signature of the Commission President.

Commissioner Starcher moved the Commission President be authorized to sign the Governor's Community Partnership Grant Program Financial Report Request for Payment for the Marion County Parks and Recreation Soccer Pavilion Project. Commissioner Parks seconded. President Sago concurred.

MARION COUNTY COMMISSION

Page 3

The County Commission has received correspondence from **Thomas Carpenter, Chief Probation Officer**, regarding the **Multi-County Community Corrections Planning Committee meetings**. The program is being designed to provide alternative sentencing options to **Magistrates as well as the Circuit Courts**, it will also provide alternatives to pre-trial detainment's, both of which will bring savings to the participating counties in the way of **Regional Jail costs**. **Monongalia County** is the lead-county in this effort and will hold a meeting at which time the request for official approval will be made. Mr. Carpenter is requesting the County Commission make a decision as to its participation in this program both financially as well as through its available resources. **The committee is requesting a 10% cash match from each of the major counties, which will be \$10,000.00.**

Commissioner Parks moved the County Commission sign a letter to the **Monongalia County Commission** pledging support of this program financially. **Commissioner Starcher** seconded. **President Sago** concurred.

The County Commission will need to make an appointment to the **Valley Falls Public Service District** to replace **Virgil Lee Smith** who resigned. The new term will expire **July 1, 2008**.

Let the record note, the County Commission has received a written notice of resignation from **Virgil Lee Smith**.

Commissioner Starcher moved the County Commission appoint **John David Paught** to the **Valley Falls Public Service District** for a term that will expire **July 1, 2008**. **Commissioner Parks** seconded. **President Sago** concurred.

There being no further business to come before the County Commission, it is proceeded with the following **Public Hearing for Budget Requests from outside agencies**.

**PUBLIC HEARING
BUDGET REQUESTS FROM OUTSIDE AGENCIES
MARCH 19, 2004 – 10:30 AM**

Marion Regional Development Corporation – (Charlie Reese) Requesting \$30,000.00.

Operation Image – (Kevin McClung) Requesting \$2,000.00 for the moving and landscaping of the interstate and interchanges at South Fairmont and 310.

Marion County Teen Court – (Jessica Allen) Requesting \$11,000.00 to supplement salaries, which will enable the Teen Court to continue.

MARION COUNTY COMMISSION

Page 4

Vincent Cemetery – (Brenda Brock) Requesting \$1,500.00 to purchase a building and repair a chain link fence. The cemetery survives solely on donations.

Marion County Parks and Recreation Commission – (Alan Ice and Dan Talbott) Requesting \$95,000.00 to upgrade the Marion County Park System: paving at Mary Lou Retton Park, improvements to Wav Tec pool, and improvements to the East Marion Park.

Tri-County Horseshoe Club – (Tony Michalski) Requesting \$3,000.00 for the Annual Head-of-the-Mon-River Horseshoe Tournament.

Woodlawn Cemetery – (Arlene Decker) – Requesting \$15,000.00 to finish top of building: office supplies, bathroom, handicapped entrance, furnace upstairs, and office equipment.

West Augusta Historical Society – (Olive Marie Utt) Requesting \$2,000.00 to have the barn painted and the purchase and installation of a lighting rod.

Marion County Rescue Squad – (Lloyd White) Requesting \$34,000.00 to purchase a new ambulance.

Marion County Health Department – (Lloyd White) Requesting \$60,000.00 to continue to provide quality service to the citizens who otherwise would not have access to quality healthcare.

Sobrania, Inc. – (Sheila Skidmore) Requesting \$600.00 to be used to purchase materials to build a new garbage bin.

Main Street Fairmont – (Patty Pitrolo) Requesting \$10,000.00 to continue the work Main Street provides for the community.

Hope Inc. – (Harriet Sutton) Requesting \$5,000.00 for general operating budget.

Prickett's Fort – (Melissa Dobbins) Requesting \$5,000.00 for Prickett's Fort's Art in the Park 2005 Summer Series.

Rivesville Concerned Citizens – (Dave Sapp and Bill Barth) Requesting \$2,497.41 to purchase an ice maker, griddle, three bowl sink, and stand to place the griddle on for the Rivesville Community Building.

OIC's Children's Learning Center – (Mickey Cullip) Requesting \$2,000.00 to help with reimbursement for the days the children do not attend the center.

Worthington Volunteer Fire Department – (Kim Thompson) Request to help with the funding to build a new fire hall.

MARION COUNTY COMMISSION

Page 5

Marion County Vietnam Veterans – Requesting \$15,000.00 to pay off outstanding bills and help obtain grant money.

Central United Methodist Church – (D. D. Meighan) Requesting funding to help with the costs of presenting the Father's Day Play.

Alzheimer's Association – Requesting \$4,200.00 to help assist in providing services to more than 1650 Alzheimer families in Marion County.

Benedum Airport Authority – Requesting \$25,000.00 for airport operations.

Buffalo Valley Association, Inc. – Requesting \$10,000.00 for recreational maintenance and expenses.

The Connecting Link, Inc. – Requesting \$6,000.00 to provide financial assistance for area residents.

Fairmont Renaissance Corporation – Requesting \$25,000.00 for economic development, redevelopment, adaptive reuse, and infill project.

Fairmont State College – Requesting \$1,500.00 for the 2004 West Virginia Brass Academy Concert.

Farmington Volunteer Fire Department – Requesting \$3,600.00 for air packs for fire rescue personnel.

Mannington Main Street, Inc. – Requesting \$20,000.00 for the resurfacing and painting of a public parking lot.

Marion County Historical Society – Requesting \$6,000.00 for operating expenses.

Marion County Humane Society – Requesting \$60,000.00 for general operating expenses.

Marion County Project Graduation – Unspecified

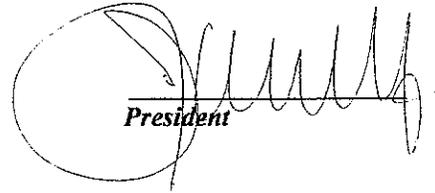
National Cancer Survivor's Day – Requesting \$1,500.00 to sponsor the Sharing & Caring Cancer Support Group.

Three Rivers Festival – Requesting \$3,300.00 for financial support for tour program and Civil War Re-enactors.

Veterans Honor Classic – Street Peoples Running Club – Requesting \$2,500.00 for sponsorship of the Classic 5K Run/Walk.

There being no further business to come before the County Commission, it is ordered this Commission do now recess until Wednesday, March 19, 2004, at 10:00 a.m.

MARION COUNTY COMMISSION
Page 6



President



STATE OF WEST VIRGINIA,

County of Marion, To-wit:

JERRY RICHARD GARRISON

I, do solemnly swear that I will support the Constitution of the United States, and the Constitution of the State of West Virginia, and I further solemnly swear that I will faithfully and impartially perform the duties of the office of.....

Member of the Four States Public Service District for a term to expire January 1, 2001.

to the best of my skill and judgment. So help me God.

/s/ JERRY GARRISON

Subscribed and sworn to before me, Janice Cosco, Clerk & Recorder,

Marion County Commission

in and for said County this 20th

day of October, 19 2000

NOTARY PUBLIC

/s/ JANICE COSCO

Commission Expires 19.....

STATE OF WEST VIRGINIA,

Marion County, sct:

Before me, Janice Cosco, Clerk of the Commission of the County and State

aforsaid, personally appeared EUGENE N. SAPP, who has been duly appointed to the office of Valley Falls PSD and took and subscribed the following:

STATE OF WEST VIRGINIA,

County of Marion, To-wit:

EUGENE N. SAPP

I, do solemnly swear that I will support the Constitution of the United States, and the Constitution of the State of West Virginia, and I further solemnly swear that I will faithfully and impartially perform the duties of the office of.....

Member of the Board of the Valley Falls Public Service

District for a six-year term to expire July 1, 2006.

to the best of my skill and judgment. So help me God.

/s/ EUGENE N. SAPP

Subscribed and sworn to before me, Janice Cosco, Clerk & Recorder,

Marion County Commission

in and for said County this 27th

day of November, 19 2000

NOTARY PUBLIC

JANICE COSCO

Commission Expires 19 BY: Mary Rose Meffe, Deputy Clerk

State of West Virginia, S.S.:

I, EUGENE SAPP, do solemnly swear that I will support the Constitution of the United States, and the Constitution of the State of West Virginia, and I further solemnly swear that I will faithfully and impartially perform the duties of the office of
VALLEY FALLS PUBLIC SERVICE DISTRICT

to the best of my skill and judgment. So help me God.

Subscribed and sworn to before me, JANICE COSCO, CLERK & RECORDER
in and for said county, this 31ST day of
JULY, 20 06.

Eugene Sapp
Janice Cosco

Marion County Commission

JAMES E. SAGO
Commissioner and President

CODY A. STARCHER
Commissioner

ALAN L. PARKS
Commissioner

SHARON JONES SHAFFER
County Administrator



Address Correspondence to:

200 JACKSON STREET • ROOM 403
FAIRMONT, WEST VIRGINIA 26554
(304) 367-5400
FAX (304) 367-5431

July 9, 2004

Mr. James Kevin Quinn
Rt. 6, Box 326-D
Fairmont, WV 26554

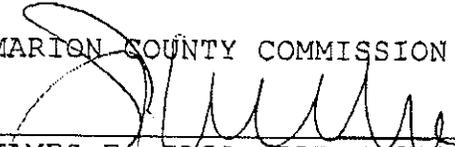
Dear Mr. Quinn:

The Marion County Commission in regular session on July 9, 2004, appointed you to the Valley Falls Public Service District. Your term will expire on July 1, 2010.

The Commission is pleased you have accepted this responsibility to provide service to all the residents of Marion County. Please stop by the County Clerk's Office to be sworn in.

We extend to you our best wishes and full cooperation for a successful tenure.

MARION COUNTY COMMISSION


JAMES E. SAGO, PRESIDENT


CODY A. STARCHER, COMMISSIONER


ALAN L. PARKS, COMMISSIONER

MCC/sad

CC: County Clerk
Valley Falls PSD

State of West Virginia, §§:

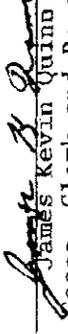
I, James Kevin Quinn, do solemnly swear that I will support the Constitution of the United States, and the Constitution of the State of West Virginia, and I further solemnly swear that I will faithfully and impartially perform the duties of the office of Member of the Valley Falls Public Service District

Term to Expire: July 1, 2010

to the best of my skill and judgment. So help me God.

Subscribed and sworn to before me, Janice Cosco, Clerk and Recorder of

Marion County in and for said county, this 20th day of July, 20 04.


James Kevin Quinn


James Kevin Quinn

By:  James Kevin Quinn, Deputy

Marion County Commission

JAMES E. SAGO
Commissioner and President

CODY A. STARCHER
Commissioner

ALAN L. PARKS
Commissioner

SHARON JONES SHAFFER
County Administrator



Address Correspondence to:

200 JACKSON STREET • ROOM 403
FAIRMONT, WEST VIRGINIA 26554
(304) 367-5400
FAX (304) 367-5431

March 19, 2004

Mr. John David Paugh
Rt. 6, Box 177
Fairmont, WV 26554

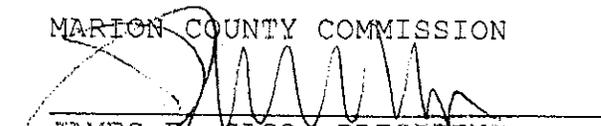
Dear Mr. Paugh:

The Marion County Commission in regular session on March 19, 2004, appointed you to the Valley Falls Public Service District to replace Virgil Lee Smith, who resigned. Your term will expire on July 1, 2008.

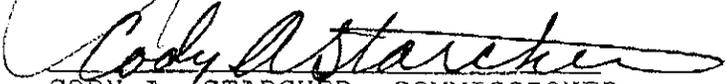
The Commission is pleased you have accepted this responsibility to provide service to all the residents of Marion County. Please stop by the County Clerk's Office to be sworn in.

We extend to you our best wishes and full cooperation for a successful tenure.

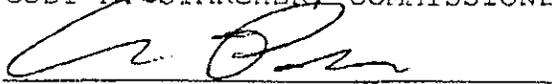
MARION COUNTY COMMISSION



JAMES E. SAGO, PRESIDENT



CODY A. STARCHER, COMMISSIONER



ALAN L. PARKS, COMMISSIONER

MCC/sad

CC: County Clerk
Valley Falls PSD

State of West Virginia, S.S.:

I, John David Paugh, do solemnly swear that I will support the Constitution of the United States, and the Constitution of the State of West Virginia, and I further solemnly swear that I will faithfully and impartially perform the duties of the office of Member of the Valley Falls Public Service District

Term to expire: July 1, 2008

to the best of my skill and judgment. So help me God.

Subscribed and sworn to before me, John David Paugh
John David Paugh
Clerk and Recorder of

Marion County in and for said county, this 9th day of April, 20 04.

Janice Cosco
Janice Cosco
By: Janice Cosco

VALLEY FALLS PUBLIC SERVICE DISTRICT

Minutes of
April 21, 2006
~~Special~~ Board Meeting
12:30 p.m.

The Valley Falls Public Service District March special Board meeting was called to order by Chairman, James Quinn, on April 21, 2006, at 1:00 p.m. The meeting was held at the VFPSD office in Fairmont, West Virginia. The following Board members and guests were in attendance:

MEMBERS

James Quinn, Chairman

Eugene Sapp, Treasurer

John Paugh, Secretary

STAFF

Dorman Williams, Manager

Jackie Spino, Office Manager

GUEST

Timm Utt, Burgess & Niple, Ltd.
Sheena Hunt, Region VI

The March 15, 2006 Board meeting minutes were reviewed. James Quinn made a motion to approve these minutes. Eugene Sapp seconded.

The March 29, 2006 special Board meeting minutes were reviewed. James Quinn made a motion to approve these minutes. Eugene Sapp seconded.

The treasurers' report was reviewed. Eugene Sapp made a motion to approve these reports. John Paugh seconded.

NEW BUSINESS

Karen Ice gave a presentation to Dorman Williams from the Gladly Creek extension group. She presented him with a cake, card and bouquet of flowers in appreciation of all he has done for them. She wanted the Board to know that Dorman has gone above and beyond the call of duty by helping them get water.

OLD BUSINESS

Dorman Williams presented the Board with a copy of the drawing, from Timm Utt, for the connection at Pinchgut to the City of Fairmont's line. He stated that Timm needs to get this drawing to the City of Fairmont for their approval. Dorman also reported that the

Valley Falls PSD April 2006 Board meeting minutes reviewed

valve at Jungle wood is installed and within the next weeks he will get hold of Bunner Contracting about installing meter pit and PRV.

Timm Utt gave the Board a copy of his letter to Jarrod Devault certifying the number of easements needed at this time. Jarrod had requested this letter from Timm. He needs a number of easements needed in order to confirm the 80% to the IJDC.

Jackie Spino called Jarrod to let him know that this letter had been delivered to him via email. Jarrod had stated by speaker phone that he had received this letter via email. Timm Utt let him know that a copy of the project plans would be dropped off to his office by the days end. Jarrod asked for a clean copy of the right-of-list for him to review. He wants to sit down with this clean list and compare with what he has done and check the number recorded with the number on this list. Jarrod, Dorman and Sheena will meet Wednesday April 26 at 4:00 pm to go over this list and make notes as to what needs to be done to finish to 100%. Once this meeting is has taken place, Jarrod stated that he can write the letter certifying the 80% and get it to the IJDC for review within the week.

Dorman Williams stated that we have a two parcel easement that VFPSD needs to acquire from Carl Hinerman. Mr. Hinerman has stated that he would like \$2,000 for this easement. Dorman reported that he has spoken with Jarrod about this particular easement and he is suggesting that we offer to purchase this area. The Board asked Dorman to discuss this further with Jarrod at the Wednesday meeting.

Dorman Williams reported that the lawn service will increase this year from \$35 to \$50 a cutting. James Quinn made a motion to approve this increase. Eugene Sapp seconded.

Dorman reported that Doug needs new shirts and that he would like to purchase shirts for the part-time help. The Board approved this.

Jackie Spino presented a copy of a quote for a color copier. This price includes trading in the current copier for a refurbished color copier. The Board asked Jackie to get prices from Staples and other companies to compare this quote to.

Dorman asked the Board to approve training for Doug Martin at the Environmental Training Center to certify him on Backflow prevention. Dorman stated that this class is for a week. James Quinn made a motion to approve. Eugene Sapp seconded.

Katy Mallory from Steptoe and Johnson sent the Board a copy of Rules of Procedures for them to review. These rules needed to be approved and put into the bylaws for VFPSD. James Quinn made a motion to approve these rules. John Paugh seconded.

Timm Utt reported to the Board that he needs to get a new amendment of the contract to the Board for their approval for the changes made. James Quinn asked Timm Utt to explain all these amendments. Timm Utt stated that the contract with Burgess and Niple, Ltd. only covered for services up to the Health Department permit. He stated that they have gone beyond these services and an amendment needs to be made to cover all these

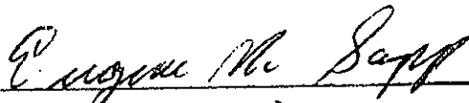
Valley Falls PSD April 2006 Board meeting minutes continued

changes. Timm Utt stated that he will have a draft amendment drawn up for the Board to approve.

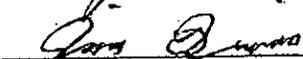
Timm Utt stated that he will be leaving a copy of the plans that are up to date for Valley Falls PSD to review. If there are to be any changes these need to be made before these plans are made available to the contractors.

Next scheduled regular Board meeting will be May 12, 2006 at 12:30 pm.

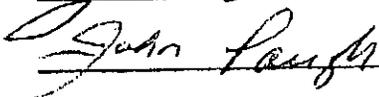
James Quinn moved to adjourn the meeting. Eugene Sapp seconded.



Eugene Sapp, Treasurer



James Quinn, Chairman



John Paugh, Secretary

RULES OF PROCEDURE
VALLEY FALLS PUBLIC SERVICE DISTRICT

ARTICLE I

NAME AND PLACE OF BUSINESS

Section 1. Name: VALLEY FALLS PUBLIC SERVICE DISTRICT.

Section 2. The principal office of this Public Service District will be located at Route 6 Box 161 East Grafton Road, Fairmont, Marion County, West Virginia.

Section 3. The Common Seal of the District shall consist of 2 concentric circles between which circles shall be inscribed Valley Falls Public Service District, and in the center shall be inscribed the Corporate Seal.

Section 4. The fiscal year of the District shall begin on July 1 of each year and shall end on the following June 30.

ARTICLE II

PURPOSE

This District is organized exclusively for the purposes set forth in Chapter 16, Article 13A of the Code of West Virginia of 1931, as amended (the "Act").

ARTICLE III

MEMBERSHIP

Section 1. The members of the Public Service Board of this District shall be those persons appointed by The County Commission of Marion County, West Virginia, or otherwise appointed pursuant to the Act, who shall serve for such terms as may be specified in the order of the County Commission or otherwise.

Section 2. Should any member of the Public Service Board resign or otherwise become legally disqualified to serve as a member of the Public Service Board, the Secretary shall immediately notify the County Commission or other entity provided under the Act and request the appointment of a qualified person to fill such vacancy. Prior to the end of the term of any member of the Public Service Board, the Secretary shall notify the County Commission or other entity provided under the Act of the pending termination and request the County Commission or other entity provided under the Act to enter an order of appointment or re-appointment to maintain a fully qualified membership of the Public Service Board.

ARTICLE IV

MEETINGS OF THE PUBLIC SERVICE BOARD

Section 1. The members of the Public Service Board of this District shall hold regular monthly meetings on the second Friday of each month at such place and hour as the members shall determine from time to time. If the day stated shall fall on a legal holiday, the meeting shall be held on the following day. Special meetings of the Public Service Board may be called at any time by the Chairman or by a quorum of the Board.

Section 2. At any meeting of the Public Service Board of the District, 2 members shall constitute a quorum. Each member of the Public Service Board shall have one vote at any membership meeting and if a quorum is not present, those present may adjourn the meeting to a later date.

Section 3. Unless otherwise agreed, notice to members of regular meetings shall not be required. Unless otherwise waived, notice of each special meeting of the membership shall be given to all members by the Secretary by fax, telephone, mail or other satisfactory means at least 3 days before the date fixed for such special meeting. The notice of any special meeting shall state briefly the purposes of such meeting and the nature of the business to be transacted thereat, and no business other than that stated in the notice or incidental thereto shall be transacted at any such special meeting.

PUBLIC NOTICE OF MEETINGS

Section 4. Pursuant to Section 3, Article 9A, Chapter 6 of the West Virginia Code of 1931, as amended (1999 Revision), notice of the date, time, place and agenda of all regularly scheduled meetings of such Public Service Board, and the date, time, place and purpose of all special meetings of such Public Service Board, shall be made available, in advance, to the public and news media (except in the event of an emergency requiring immediate action) as follows:

A. Regular Meetings. A notice shall be posted and maintained by the Secretary of the Public Service Board of the Public Service District at the front door or bulletin board of the Marion County Courthouse and at the front door or bulletin board of the place fixed for regular meetings of the Public Service Board of the date, time and place fixed and entered of record by the Public Service Board for the holding of regularly scheduled meetings. In addition, a copy of the agenda for each regularly scheduled meeting shall be posted at the same locations by the Secretary of the Public Service Board not less than 72 hours before such regular meeting is to be held. If a particular regularly scheduled meeting is cancelled or postponed, a notice of such cancellation or postponement shall be posted at the same locations as

soon as feasible after such cancellation or postponement has been determined.

B. Special Meetings. A notice shall be posted by the Secretary of the Public Service Board at the front door or bulletin board of the Marion County Courthouse and at the front door or bulletin board of the place fixed for the regular meetings of the Public Service Board not less than 72 hours before a specially scheduled meeting is to be held, stating the date, time, place and purpose for which such special meeting shall be held. If the special meeting is cancelled, a notice of such cancellation shall be posted at the same locations as soon as feasible after such cancellation has been determined.

ARTICLE V

OFFICERS

Section 1. The officers of the Public Service Board shall be a Chairman, a Secretary and a Treasurer. The Chairman shall be elected from the members of the Public Service Board. The Secretary and Treasurer need not be members of the Public Service Board, and may be the same person.

Section 2. The officers of the Public Service Board shall be elected each year by the members at the first meeting held in such year. The officers so elected shall serve until the next annual election by the membership and until their successors are duly elected and qualified. Any vacancy occurring among the officers shall be filled by the members of the Public Service Board at a regular or special meeting. Persons selected to fill vacancies shall serve until the following January meeting of the Board when their successors shall be elected hereinabove provided.

ARTICLE VI

DUTIES OF OFFICERS

Section 1. When present, the Chairman shall preside as Chairman at all meetings of the Public Service Board. The Chairman shall, together with the Secretary, sign the minutes of all meetings at which he or she shall preside. The Chairman shall attend generally to the executive business of the Board and exercise such powers as may be conferred by the Board, by these Rules of Procedure, or as prescribed by law. The Chairman shall execute, and if necessary, acknowledge for record, any deeds, deeds of trust, contracts, notes, bonds, agreements or other papers necessary, requisite, proper or convenient to be executed by or on behalf of the Board when and if directed by the members of the Board.

Section 2. The Secretary shall keep a record of all proceedings of the Board which shall be available for inspection as other public records. The Secretary shall, together

with the Chairman, sign the minutes of the meetings at which he or she is present. The Secretary shall have charge of the minute book, be the custodian of the Common Seal of the District and all deeds and other writings and papers of the Board. The Secretary shall also perform such other duties as he or she may have under law by virtue of the office or as may be conferred from time to time by the members of the Board, these Rules of Procedure or as prescribed by law.

Section 3. The Treasurer shall be the lawful custodian of all funds of the District and shall disburse funds of the District on orders authorized or approved by the Board. The Treasurer shall keep or cause to be kept proper and accurate books of accounts and proper receipts and vouchers for all disbursements made by or through him and shall prepare and submit such reports and statements of the financial condition of the Board as the members may from time to time prescribe. He shall perform such other duties as may be required of him by law or as may be conferred upon him by the members of the Board, these Rules of Procedure or as prescribed by law.

Section 4. If the Chairman, Secretary or Treasurer is absent from any meeting, the remaining members of the Board shall select a temporary chairman, secretary or treasurer, as necessary, who shall have all of the powers of the absent officer during such period of absence.

ARTICLE VII

AMENDMENTS TO RULES OF PROCEDURE

These Rules of Procedure may be altered, changed, amended, repealed or added to at any regular or special meeting of the Board by a majority vote of the entire Board, or at any regular or special meeting of the members when a quorum is present in person and a majority of those present vote for the amendment; but no such change, alteration, amendment, repeal or addition shall be made at any special meeting unless notice of the intention to propose such change, alteration, amendment, repeal or addition and a clear statement of the substance thereof be included in the written notice calling such meeting.

These Rules of Procedure shall replace any and all previous rules of procedure, bylaws or similar rules heretofore adopted by the District.

Adopted this 21st day of April, 2006.

Chairman *Janna D. Paugh*
Secretary *Janna D. Paugh*
Treas. *Eugene Mc Saffery*

04/10/06
92879

VALLEY FALLS PUBLIC SERVICE DISTRICT

Minutes of January 11, 2006 Board Meeting 1:00 p.m.

The Valley Falls Public Service District January board meeting was called to order by the Chairman, Eugene Sapp, on January 11, 2006, at 1:00 p.m. The meeting was held at the VFPSD office in Fairmont, West Virginia. The following Board members and guests were in attendance:

MEMBERS

Eugene Sapp, Chairman

John Paugh, Secretary

James Quinn, Treasurer

STAFF

Dorman Williams, Manager

Jackie Spino, Office Manager

GUEST

Timm Utt, Burgess & Niple, Ltd.

Jarrod DeVault

Greg Herrick

The December 2005 meeting minutes were reviewed by Eugene Sapp. James Quinn made a motion to accept. John Paugh seconded. Motion carried.

The treasurer's report was reviewed. Eugene Sapp made a motion to accept. John Paugh seconded. Motion carried.

OLD BUSINESS

James Quinn spoke about hiring a project manager to help keep the project running and check to see that things are done in a timely manner. This would allow Dorman to do his daily job. James Quinn asked Jackie to call the Public Service Commission to see if he (James Quinn) steps down as a Board member could he take on this position.

James Quinn made a motion to approve Gary Bennett to do GMAC projected budget for the parity agreement. Eugene Sapp seconded. Eugene signed agreement.

Jarrod Devault of Tharp Liotta and Yokum was given the floor. He reported that he has 18 easements completed and given to Dorman today. He has 19 parcels with problems such as wrong parcels or cannot find parcel numbers. He will have the remaining 13 done and to Dorman by the end of the week.

Valley Falls PSD January 2006 Board meeting minutes continued

Timm Utt of Burgess and Niple was given the floor. He gave an update on the project and reported that he would still like to go to bid in February 2006. He needs to get the 80% of the easements acquired and we need to have a sight survey for the SCADA system. He informed the board that electrical engineers from Burgess and Niple will be here tomorrow to go over some aspects of the SCADA system if any of the board would like to attend they are welcome.

NEW BUSINESS

New election of officers were as follows:

James Quinn – Chairman

Eugene Sapp – Treasurer

John Paugh – Secretary

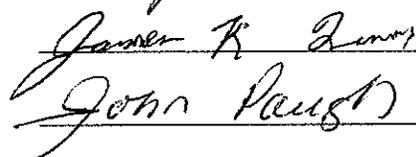
Special Board meeting will be January 25, 2006 at 1:00 p.m.

Next scheduled regular Board meeting will be February 15, 2006 at 12:30 pm.

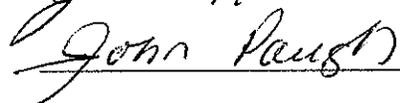
Eugene Sapp moved to adjourn the meeting. John Paugh seconded.



Eugene Sapp, Chairman



James Quinn, Treasurer



John Paugh, Secretary

/jrw

VALLEY FALLS PUBLIC SERVICE DISTRICT

Water Refunding Revenue Bonds, Series 2006 A

EXCERPT OF MINUTES ON ADOPTION OF
BOND RESOLUTION AND SUPPLEMENTAL RESOLUTION

The undersigned duly appointed Secretary of the Public Service Board (the "Board") of Valley Falls Public Service District hereby certifies that the following is a true and correct excerpt of the minutes of a special meeting of said Board:

The Board of Valley Falls Public Service District met in special session, pursuant to notice duly posted, on the 21st day of November, 2006, in Fairmont, West Virginia, at the hour of 11:00 a.m.

PRESENT: Chairman - Eugene Sapp
 Secretary - John Paugh

ABSENT: James Quinn

On motion made by John Paugh, seconded by Eugene Sapp, Eugene Sapp was elected Chairman for purposes of the meeting.

Eugene Sapp, Chairman, presided, and John Paugh acted as Secretary. The Chairman announced that a quorum of members was present and that the meeting was open for any business properly before it.

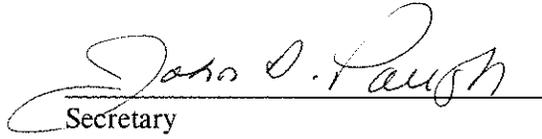
Thereupon, the Chairman presented a proposed Bond Resolution in writing entitled:

RESOLUTION AUTHORIZING THE REFUNDING OF THE WATER REVENUE BONDS, SERIES 1976, OF VALLEY FALLS PUBLIC SERVICE DISTRICT THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$330,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REFUNDING BONDS, SERIES 2006 A; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

CERTIFICATION

I hereby certify that the foregoing action of Valley Falls Public Service District remains in full force and effect and has not been amended, rescinded, superseded, repealed or changed.

WITNESS my signature on this 21st day of November, 2006.


Secretary

11.15.06
928790.00001

WV MUNICIPAL BOND COMMISSION
8 Capitol Street
Suite 500
Charleston, WV 25301
(304) 558-3971

NEW ISSUE REPORT FORM

Date of Report: November 22, 2006

(See Reverse for Instructions)

ISSUE: Valley Falls Public Service District Water Refunding Revenue Bonds, Series 2006 A

ADDRESS: Post Office Box 477, Fairmont, West Virginia 26555 COUNTY: Marion

PURPOSE OF ISSUE: New Money: _____
Refunding: X REFUNDS ISSUE(S) DATED: January 25, 1977

ISSUE DATE: November 22, 2006 CLOSING DATE: November 22, 2006

ISSUE AMOUNT: \$322,000 RATE: 5%

1ST DEBT SERVICE DUE: N/A 1ST PRINCIPAL DUE: N/A

1ST DEBT SERVICE AMOUNT: N/A PAYING AGENT: JP Morgan Chase Bank, N.A.

BOND
COUNSEL: Step toe & Johnson PLLC
Contact Person: John Stump, Esquire
Phone: 304.353.8196

UNDERWRITERS
COUNSEL: _____
Contact Person: _____
Phone: _____

CLOSING BANK: JP Morgan Chase Bank, N.A.
Contact Person: John T. Copenhaver, III
Phone: 304.348.4413

ESCROW TRUSTEE: _____
Contact Person: _____
Phone: _____

KNOWLEDGEABLE ISSUER CONTACT
Contact Person: Dorman Williams
Position: Manager
Phone: 304.363.0570

OTHER: _____
Contact Person: _____
Function: _____
Phone: _____

DEPOSITS TO MBC AT CLOSE: _____
By: _____ Wire _____
_____ * Check _____
Accrued Interest: \$ _____
Capitalized Interest: \$ _____
* Reserve Account: \$ 32,200.00
Other: \$ _____

REFUNDS & TRANSFERS BY MBC AT CLOSE
By: _____ Wire _____
_____ Check _____
_____ IGT _____
To Escrow Trustee: \$ _____
To Issuer: \$ _____
To Cons. Invest. Fund: \$ _____
To Other: \$ _____

NOTES: * The reserve account will be held at the Commission.

FOR MUNICIPAL BOND COMMISSION USE ONLY:
DOCUMENTS REQUIRED: _____
TRANSFERS REQUIRED: _____

The purpose of the NEW ISSUE REPORT FORM is to provide the WV Municipal Bond Commission with an early warning of three basic facts no later than the day of closing on any issue for which the Commission is to act as fiscal agent. These are:

1. Formal notification that a new issue is outstanding.
2. Date of first action or debt service.
3. Contact people should we lack documents, information, or funds needed to administer the issue by the date of the first action or debt service.

The commission recognizes that as bond transcripts become increasingly long and complex, it has become more difficult to assemble and submit them to the Commission within the 30 days specified by the West Virginia Code 13-3-8. This notice is not intended to provide all the information needed to administer an issue, but to alert the Commission and ensure that no debt service payments are missed due to delays in assembling bond transcripts. If, at the time of closing, documents such as the ordinance and all supplements, debt service schedules, and a specimen bond or photostat are available and submitted with this form, it will greatly aid the Commission in the performance of its duties. These documents are needed to set up the proper accounts and to advise the issuer of monthly deposit requirements as far in advance of the first debt service as possible.

It is not necessary to complete all items if they are not pertinent to your issue. Indicate the County of the issuer. With PSDs that overlap more than one county, indicate the county of their business office. Complete "Rate" only if the issue has only one rate. Please complete a separate form for each series of an issue. Other important information can be recorded under "Notes."

Again, please submit this form on each new issue on the day of closing. If fund transfers into or out of the Commission at closing are required, please submit this form before closing. If no significant facts change by closing, no resubmission at closing is required. If, however, there are changes, please submit an updated form, with changes noted, at closing.

If you should have any questions concerning this form, please call the Commission.

11.15.06
928790.00001



September 8, 2006

Dorman Williams
Valley Falls Public Service District
Route 6 / Box 161
Fairmont, W.Va. 26554

Dear Mr. Williams:

Thank you for the opportunity to make the following commitment to you. JPMorgan Chase Bank, N.A. (the "Bank") is pleased to have approved for Valley Falls Public Service District (the "Borrower") a credit facility consisting of a tax-exempt, privately placed bond financing pursuant to the provisions of state and local statutes, in an amount not to exceed \$330,000.00. This commitment is to be used by you for the purpose of refinancing of existing term debt held by GMAC in the approximate amount of \$325,000.00.

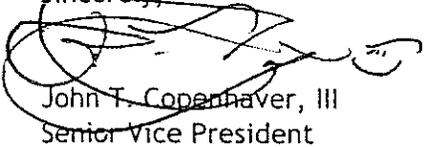
This commitment is subject to the execution and delivery to the Bank of legal documents yet to be prepared, including, without limitation, loan agreements, promissory notes, and collateral and security documents. All such documents must be satisfactory in form and substance to the Bank (and its counsel).

The making and funding of any loans under this commitment (in addition to any other conditions which may be required in the documents referred to in the preceding paragraph) is expressly subject to the terms and conditions set forth in the attached Terms and Conditions.

If you find the terms and conditions of this commitment to be acceptable to you, please execute the enclosed copy of this letter and return it to the undersigned. If not accepted, this commitment shall expire on October 31, 2006, or such later date as the Bank may hereafter agree to in writing.

We appreciate the opportunity to provide you with the financial services of JPMorgan Chase Bank, N.A. and look forward to a continuing mutually beneficial relationship.

Sincerely,



John T. Copenhaver, III
Senior Vice President

Accepted and agreed to this 21 day of Nov., 2006.

Valley Falls Public Service District

By: Eugene M. Sapp
Its: Chairman

TERMS AND CONDITIONS

BORROWER: Valley Falls Public Service District

PURPOSE: Refinance existing term debt of approximately \$325,000 held by GMAC.

AMOUNT OF LOAN: Up to Three Hundred Thirty Thousand and 00/100 Dollars (\$330,000.00)

INTEREST RATE: A tax-exempt bank qualified fixed rate equal to Five Percent (5%) per annum.

PREPAYMENT: If this Note is paid in full more than six calendar months prior to its maturity date, then the Borrower shall pay to the Lender a prepayment premium equal to the Prepaid Principal multiplied by the Premium Percentage. The "Premium Percentage" shall be equal to one percent (1.0%) multiplied by (A) if this Note accrues interest at a fixed rate, the number of full years plus one for any additional part or portion of a year between the Prepayment Date and the maturity date of this Note, or (B) if this Note accrues interest at a variable rate, then the number of full years plus one for any additional part or portion of a year between the Prepayment Date and the earlier of (i) the next scheduled rate change date, as provided for in the description of the variable rate applicable to this Note, or (ii) the maturity date. Provided, however, in no event shall the Premium Percentage exceed five percent (5%) of the Prepaid Principal. The term "Prepaid Principal" shall mean the outstanding principal balance of this Note at the Prepayment Date; provided however, at the discretion of Lender, all payments of principal made within thirty days prior to the Prepayment Date may be included in the Prepaid Principal amount subject to the Premium Percentage. The term "Prepayment Date" shall mean the date the prepayment is tendered.

COMMITMENT FEE: None

REPAYMENT TERMS: One Hundred Thirty-Two (132) equal consecutive fully amortizing monthly installments of principal and accrued interest. To the extent that the number of days between payments varies, the final installment may increase or decrease.

COLLATERAL: A pledge of all net revenues of the system on a parity basis with the District's outstanding bonds.

CONDITIONS TO LOAN FUNDING: Prior to any advance of funds by Bank under the loan, the following conditions precedent shall have occurred.

The Bank shall have received, duly executed, all promissory notes, loan agreements, security agreements, financing statements, assignments, resolutions, and other documents and instruments necessary or advisable in connection with the loan, all of which shall be in form and substance satisfactory to the Bank and its counsel.

All financing statements, notices and other documents and instruments deemed by the Bank and its counsel to be necessary or advisable in connection with the collateral described herein shall have been recorded or filed in all necessary places, and sent to or received by all necessary persons, as the case may be.

The Bank shall have received the written opinion of Borrower's counsel as to the validity and enforceability of the loan documents and such other matters as the Bank may reasonably require.

REPORTING REQUIREMENTS: Borrower shall periodically submit to the Bank annually, within ninety (90) days following the end of the Borrower's fiscal year, a financial statement prepared in accordance with generally accepted accounting principles on an audited basis by an independent certified public accountant acceptable to the Bank, and including a balance sheet, income statement, changes in capital position, and reconciliation of net worth and including all normal and reasonable financial notes.

LOAN AGREEMENT: This loan shall be governed by a loan agreement to be prepared by the Bank's counsel at the Borrower's expense, setting forth the terms under which this loan is to be made and administered and containing the terms set forth in this commitment and such other terms, conditions, covenants, representations and warranties as the Bank may deem necessary or advisable, in its discretion.

FINANCIAL COVENANTS: The loan documentation will contain financial covenants normal and customary for financings of this type, including but not limited to a Debt Coverage Ratio of not less than 1.15 to 1.00 computed on a fiscal year basis.

OTHER COVENANTS: The loan documentation will contain those standard affirmative and negative covenants and events of default customarily found in credit agreements of this nature, and others appropriate to this transaction.

CLOSING COSTS AND EXPENSES: The Borrower shall pay all costs and expenses incurred by the Bank in connection with the Bank's review, due diligence and closing of the Loan, including attorneys' fees (to include outside counsel fees and all allocated costs of Bank's in-house counsel if permitted by applicable law) incurred by the Bank in connection with the negotiation and preparation of the loan documentation whether or not the Loan actually closes.

MATERIAL ADVERSE CHANGE: This commitment may be terminated, in the sole discretion of the Bank, upon the occurrence of a material adverse change in the financial condition of the Borrower or any other person liable to the Bank for the repayment of this loan.

SURVIVAL: The terms and provisions of this commitment shall survive the closing of the loan made hereunder, the delivery of all documents necessary to carry out the provision of this commitment, and the funding and making of the loan and disbursements hereunder.

NON-ASSIGNABLE: This commitment and the right of Borrower to receive loans hereunder may not be assigned by Borrower.

RELIANCE: This commitment constitutes an offer by the Bank to the Borrower to make a loan on the terms and conditions set forth herein and should not be relied upon by any third party for any purpose.

AMENDMENT AND WAIVER: No alteration, modification, amendment or waiver of any terms and conditions of this commitment, or of any of the documents required by or delivered to the Bank

under this commitment, shall be effective or enforceable against the Bank unless set forth in a writing signed by the Bank.

GOVERNING LAW: This commitment and the loan shall be governed by federal law applicable to Bank and, to the extent not preempted by federal law, the laws of the State of West Virginia without regard to its conflicts of law provisions.

INTEGRATION: The terms set forth above represent the entire understanding between the Borrower and the Bank with respect to the subject matter of this commitment, and this commitment supersedes any prior and contemporaneous agreements, commitments, discussions and understandings, oral or written, with respect to the subject matter of this commitment.

EXPIRATION: This commitment is to be closed on or before October 31, 2006. Should this commitment not be closed by that date, or such later date agreed to in writing, the Bank shall have no further obligation to extend credit hereunder.



November 22, 2006

Valley Falls Public Service District
Water Refunding Revenue Bonds, Series 2006 A

Valley Falls Public Service District
Fairmont, West Virginia

Steptoe & Johnson PLLC
Charleston, West Virginia

Ladies and Gentlemen:

The undersigned, purchaser of the above-captioned bond (the "Bonds"), to be issued by Valley Falls Public Service District (the "Issuer"), hereby makes the following representations and warranties to you that:

1. We have sufficient knowledge and experience in financial and business matters, including purchase and ownership of tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by our purchase of the Bonds, and our net worth and available assets are such that we are able to bear the economic risk of our purchase of the Bonds.
2. We understand that the entire principal of and interest on the Bonds are payable by the Issuer solely from Net Revenues; that the Bonds are a special and limited obligation of the Issuer and are not a general obligation or secured by any obligation or pledge of any monies received or to be received by the Issuer other than the Net Revenues; that the Bonds do not now and shall never constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation.
3. We understand that no official statement, prospectus, offering circular or other comprehensive offering statement containing material information with respect to the Issuer or the Bonds is being issued and that, in due diligence, we have made our own inquiry and analysis with respect to the Issuer, the Bonds and the security therefor, and other material factors affecting the security for and payment of the Bonds, and are relying solely on such inquiry and analysis in our purchase of the Bonds.
4. We acknowledge that during the course of the transaction and prior to the sale of the Bonds, we have requested or have had access to information, including financial

statements and other financial information, to which a reasonable investor would attach significance in making investment decisions, and we have had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Issuer, the Bonds and the security therefor, so that as a reasonable investor, we have been able to make our decision to purchase the Bonds. No such information requested by us has been denied to us.

5. Because of our experience in financial and business matters, we feel that we are qualified to make the inquiry and analysis described in paragraph 3 and to understand fully the documents and information described in paragraph 4.

6. We understand that the Internal Revenue Code of 1986, as amended (the "Code"), prescribes satisfaction of several requirements in order that interest on the Bonds be and remain excludable from gross income for federal income tax purposes, some of which apply after issuance of the Bonds, and that noncompliance by the Issuer with certain of such requirements could cause interest on the Bonds to be includable in gross income for federal income tax purposes and thus, subject to federal income taxation retroactively to the date hereof. We also understand that under the Code, interest on obligations, such as the Bonds, which are not "private activity bonds," are not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations by Section 55 of the Code, but that a provision of the Code which is applicable to corporations (as defined for federal income tax purposes), and which would impose an alternative minimum tax on a portion of the excess of adjusted net book income over pre-book alternative minimum taxable income, could subject part of the interest on the Bonds received by corporations to such corporate alternative minimum tax. Additionally, we understand that for tax years beginning after 1986, interest on the Bonds earned by some corporations could be subject to the environmental tax imposed by Section 59A of the Code and enacted by the Superfund Revenue Act of 1986, and that for taxable years beginning after 1986, interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to the branch profits tax imposed by the Code.

7. We understand that the Bonds (a) are not being registered under the Securities Act of 1933, as amended, and are not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (b) will not be listed on any stock or other securities exchange, (c) will carry no rating from any rating service, and (d) will not be readily marketable.

8. We are purchasing the Bonds for investment in our own account and do not intend to divide the Bonds purchased by us nor to resell or otherwise dispose of all or any part of the Bonds purchased by us, except as permitted by law on a basis of full disclosure to any subsequent holder of the Bonds and subject to applicable securities laws and regulations thereunder.

9. We have had the opportunity to consult with and be advised by legal counsel as to the significance of this letter and we have satisfied ourselves that the Bonds are a lawful investment for us under all applicable laws.

Yours very truly,

JP MORGAN CHASE BANK, N.A.

By 
Its: Authorized Officer

Information Return for Tax-Exempt Governmental Obligations

Under Internal Revenue Code section 149(e)
 See separate instructions.

OMB No. 1545-0720

Caution: If the issue price is under \$100,000, use Form 8038-GC.

Part I Reporting Authority If Amended Return, check here

1 Issuer's name Valley Falls Public Service District	2 Issuer's employer identification number 55 0561862
3 Number and street (or P.O. box if mail is not delivered to street address) Post Office Box 477	Room/suite 3 4 Report number 2006 - 01
5 City, town, or post office, state, and ZIP code Fairmont, West Virginia 26555	6 Date of issue November 22, 2006
7 Name of issue Water Refunding Revenue Bonds, Series 2006 A	8 CUSIP number N/A
9 Name and title of officer or legal representative whom the IRS may call for more information Dorman Williams, Manager	10 Telephone number of officer or legal representative (304) 363-0570

Part II Type of Issue (check applicable box(es) and enter the issue price) See instructions and attach schedule

11 <input type="checkbox"/> Education	11
12 <input type="checkbox"/> Health and hospital	12
13 <input type="checkbox"/> Transportation	13
14 <input type="checkbox"/> Public safety	14
15 <input checked="" type="checkbox"/> Environment (including sewage bonds)	15 322,000
16 <input type="checkbox"/> Housing	16
17 <input type="checkbox"/> Utilities	17
18 <input type="checkbox"/> Other. Describe CODEN UT	18
19 If obligations are TANs or RANs, check box <input type="checkbox"/> If obligations are BANs, check box <input type="checkbox"/>	
20 If obligations are in the form of a lease or installment sale, check box <input type="checkbox"/>	

RECEIVED
 DEC 05 2006
 IRS-OSC

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	November 10, 2017	\$ 322,000	\$ 322,000	< 11 years	5.0000 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22 Proceeds used for accrued interest	22				-0-
23 Issue price of entire issue (enter amount from line 21, column (b))	23				322,000
24 Proceeds used for bond issuance costs (including underwriters' discount)	24	5,752.84			
25 Proceeds used for credit enhancement	25	-0-			
26 Proceeds allocated to reasonably required reserve or replacement fund	26	-0-			
27 Proceeds used to currently refund prior issues	27	316,247.16			
28 Proceeds used to advance refund prior issues	28	-0-			
29 Total (add lines 24 through 28)	29				322,000
30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30				-0-

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)

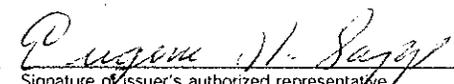
31 Enter the remaining weighted average maturity of the bonds to be currently refunded	< 11 years
32 Enter the remaining weighted average maturity of the bonds to be advance refunded	N/A years
33 Enter the last date on which the refunded bonds will be called	November 22, 2006
34 Enter the date(s) the refunded bonds were issued	January 25, 1977

Part VI Miscellaneous

35 Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35		N/A
36a Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a		N/A
b Enter the final maturity date of the guaranteed investment contract			
37 Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units	37a		N/A
b If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the name of the issuer and the date of the issue			
38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box <input type="checkbox"/>			
39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box <input type="checkbox"/>			
40 If the issuer has identified a hedge, check box <input type="checkbox"/>			

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Sign Here

 Signature of issuer's authorized representative	11-27-06 Date	Eugene Sapp, Chairman Type or print name and title
--	-------------------------	--



VALLEY FALLS PUBLIC SERVICE DISTRICT

Water Refunding Revenue Bonds, Series 2006 A

RECEIPT AND RELEASE

Capmark Finance Inc., as successor in interest to General Motors Acceptance Corporation, as the holder of the Valley Falls Public Service District's Water Revenue Bonds, Series 1976, dated January 25, 1977, issued in the original aggregate principal amount of \$665,000 (the "GMAC Bonds"), hereby certifies that it has this day received the sum of \$316,247.16 from the District and that such sum is sufficient to pay the entire principal amount of and interest accrued on the GMAC Bonds to the date hereof and discharge the liens, pledges and encumbrances securing the GMAC Bonds.

Dated this 22nd day of November, 2006.

CAPMARK FINANCE INC.

By Paula Hendry
Its: Authorized Officer

11.15.06
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CLOSING MEMORANDUM

To: Financing Team
From: John C. Stump, Esquire
Date: November 22, 2006
Re: Valley Falls Public Service District
Water Refunding Bonds, Series 2006 A (JP Morgan Chase Bank, N.A.)

1. DISBURSEMENTS OF SERIES 2006 A BONDS PROCEEDS

- A. Payor: JP Morgan Chase Bank, N.A.
Amount: \$316,247.16
Form: Wire
Payee: Capmark Finance Inc., as successor in interest to GMAC Acceptance Corporation
Capmark Finance Inc. (Beneficiary)
Contact: Paula Hensley - (801) 233-2011
Bank: Bank One - Texas, NA
ABA: 111-000-614
Account: DDA No. 1825178252
Reference: ATTN: Paula Hensley LN: 01-0594702
- B. Payor: JP Morgan Chase Bank, N.A.
Amount: \$5,752.84
Form: Check
Payee: Steptoe & Johnson PLLC

2. ISSUER FUNDS

Payor: Valley Falls Public Service District
Amount: \$32,200
Form: Check
Payee: West Virginia Municipal Bond Commission
Contact: Sara Boardman (304.558.3971)
Purpose: Series 2006 A Bonds Reserve Account

Approved:

Date: November 21, 2006


Chairman

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